Acerinox, S.A.

Auditor´s report
Annual accounts at December 31, 2022
Management report

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation

Independent auditor´s report on the annual accounts

To the shareholders of Acerinox, S.A.,

Report on the annual accounts

Opinion

We have audited the annual accounts of Acerinox, S.A. (the Company), which comprise the balance sheet as at December 31, 2022, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at December 31, 2022, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in note 2 of the notes to the annual accounts), and, in particular, with the accounting principles and criteria included therein.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Recovery of investments in group companies	
As detailed in note 2.4.b of the attached annual accounts, Management annually evaluates the existence of signs of impairment and determines the recoverable value of investments in group companies and associates. For the calculations of the recoverable value through the value in use, the Company's Management uses cash flow projections based on financial budgets that require relevant judgments and estimates that include, among others, the operating result on sales, future energy curves, and long-term discount and growth rates, considering that the projected flows are subject to uncertainty. For the specific case of Bahru Stainless Sdn. Bhd. investment, for which an impairment was recorded as of December 31, 2021 of 479,096 thousand euros, has increased by 197,197 thousand euros as described in note 9.2.7 of the attached report, the Company's Management has relied on an expert to determine the recoverable value based on the fair value less costs of sale in the context of an impairment test analysis from the perspective of a market participant. In the case of the investment in Columbus Stainless (Pty) Ltd., for which an impairment was recorded as of December 31, 2021 for an amount of 74,759 thousand euros, a reversal of 58,291 thousand euros has been recorded as described in note 9.2.7 of the attached report. The most significant assumptions used by the Company's Management and the sensitivity analysis carried out are summarized in note 9.2.7 of the attached report. Deviations in the variables and estimates of Management can determine important variations in the conclusions reached and, therefore, in the analysis of the recovery of investments in subsidiaries. This fact, together with the relevance of this financial statement line item and the impact in the income statement, drives it to be a key audit matter.	As a starting point for our procedures, we have understood the relevant processes and controls related to the evaluation of impairments in investments in group companies by Management, including those related to the preparation of budgets and the analysis and monitoring of the projections, which constitute the basis for the main judgments and estimates made by Management. In relation to the estimated cash flows, we have analyzed the methodology of the calculations made, we have compared the projected annual flows with those actually achieved in fiscal year 2022 and we have contrasted the key assumptions used by the Company's Management with historical results, comparable available, relevant industry factors and other external sources. For this, we have relied on our internal firm experts in valuations. Regarding the valuation exercise carried out on the recovery of the investment in Bahru Stainless Sdn. Bhd., we have analyzed the methodology of the calculations carried out and we have contrasted the key hypotheses used with available comparable, relevant industry factors and other external sources. For this, we have relied on our internal firm experts in valuations. Likewise, we have evaluated the competence, capacity, objectivity and conclusions of the expert hired by the Management of the Company, as well as the adequacy of his work as audit evidence. As a result of the analysis performed, we consider that the conclusions of the Company's Management regarding the estimates made and the impact in the income statement, as well as the information disclosed in the attached annual accounts, are adequately supported and are consistent with the information currently available.

Recognition of deferred tax assets

As of December 31, 2022, the attached annual accounts reflect an amount of 5,991 thousand euros of deferred tax assets, the recovery of which depends on the generation of positive tax bases in future years (note 12 of the accompanying annual accounts). Likewise, in note 12 of the attached annual accounts, the unrecognized tax credits of the tax group to which the Company belongs.

The recognition of these deferred tax assets is analyzed by the Company's Management by estimating the tax bases over a 10-year period (note 12.3 of the attached annual accounts) based on the business plans of the different companies of the tax group, and in the planning possibilities allowed by the applicable tax legislation, considering the tax consolidation group to which the Company belongs (note 2.4.c of the attached annual accounts).

Consequently, the conclusion on the recognition of the deferred tax assets disclosed in the attached annual accounts is subject to significant judgments and estimates by the Company's Management both with respect to future tax results and the applicable tax regulations.

Given the relevance of the amount pending to be recognized, the significant judgments required and estimates necessary for the calculation of future tax bases, the recognition of deferred tax assets is a key audit matter.

In the first place, we have understood and evaluated the criteria used by the Company's Management to estimate the possibilities of use and recovery of deferred tax assets in the following years, subject to business plans.

Based on the business plans prepared by Management, we have compared the projected annual flows with those actually achieved in 2022 and we have contrasted the key assumptions, estimates and calculations made for their preparation, comparing them with the historical performance, comparable available, relevant factors from industry and other external sources.

As part of the analysis, we have also evaluated the tax adjustments considered for the estimation of tax bases, the applicable tax regulations, as well as the decisions about the possibilities of using the tax benefits corresponding to the tax consolidation group.

The analysis performed have made it possible to verify that the calculations and estimates made by the Company's Management, as well as the conclusions reached, in relation to the recognition of deferred tax assets, are consistent with the current situation, with the expectations of future results of the tax group and with its tax planning possibilities available with the current legislation.

Other information: Management report

Other information comprises only the management report for the 2022 financial year, the formulation of which is the responsibility of the Company´s directors and does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the management report. Our responsibility regarding the management report, in accordance with legislation governing the audit practice, is to:

a) Verify only that the certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as referred to in the Auditing Act, have been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the management report and the annual accounts as a result of our knowledge of the Company obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the management report is consistent with that contained in the annual accounts for the 2022 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit committee for the annual accounts

The directors are responsible for the preparation of the accompanying annual accounts, such that they fairly present the equity, financial position and financial performance of the Company, in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as the aforementioned directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the directors are responsible for assessing the Company´s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the process of preparation and presentation of the annual accounts.

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor´s report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company´s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors´ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor´s report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor´s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Company´s audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Company´s audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the aforementioned audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Company´s audit committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor´s report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital file of the European single electronic format (ESEF) of Acerinox, S.A. for the 2022 financial year that comprises an XHTML file of the annual accounts for the financial year, which will form part of the annual financial report.

The directors of Acerinox, S.A. are responsible for presenting the annual financial report for the 2022 financial year in accordance with the formatting requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation). In this regard, the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration have been incorporated by reference in the management report.

Our responsibility is to examine the digital file prepared by the Company's directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the annual accounts included in the aforementioned file completely agrees with that of the annual accounts that we have audited, and whether the format of these accounts has been effected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital file examined completely agrees with the audited annual accounts, and these are presented, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Report to the audit committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit committee dated March 28, 2023.

Appointment period

The General Ordinary Shareholders' Meeting held on June 16, 2022 appointed us as auditors for a period of one year, for the year ended December 31, 2022.

Previously, we were appointed by resolution of the General Ordinary Shareholders' Meeting for a period of three years, and we have audited the accounts continuously since the year ended December 31, 2017.

Services provided

Services provided to the audited Company, other than the audit of the accounts, are disclosed in note 16.3 of the annual accounts.

In relation to the services provided to the subsidiary companies of the Company for services other than the audit of the accounts, refer to the audit report dated March 29, 2023 on the consolidated annual accounts of Acerinox, S.A. and its subsidiary companies, where these subsidiary companies have been consolidated.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by
Jon Toledano Irigoyen (20518)

March 30, 2023

ACERINOX, S.A.

Annual Accounts
for the year ended 31 December 2022

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Note 2). In the event of a discrepancy, the Spanish-language version prevails.

ANNUAL ACCOUNTS OF ACERINOX, S.A.

1. BALANCE SHEET OF ACERINOX, S.A.

(Amounts in thousands of euros at 31 December 2022 and 2021)

	ASSETS	Note	2022	2021
A) NON-CURRENT ASSETS			1,996,074	2,072,089
I.	Intangible assets.	5	692	482
	1. Computer software		239	242
	2. Advances on fixed assets		453	240
II.	Property, plant and equipment.	6	8,332	5,074
	1. Land and buildings.		7,206	4,702
	2. Technical installations and other property, plant and equipment.		1,126	372
III.	Investment property.	7	1,984	4,654
	1. Land.		1,231	2,853
	2. Buildings.		753	1,801
IV.	Long term investments in Group companies and associates	9	1,953,746	2,042,140
	1. Equity instruments.		1,883,746	2,022,140
	2. Corporate loans	15.2	70,000	20,000
V.	Long-term financial investments.	9	25,329	11,788
	1. Assets at fair value through equity			10,729
	2. Loans to third parties			3
	3. Derivatives		25,254	980
	4. Other financial assets.		75	76
VI.	Deferred tax assets.	12	5,991	7,951
B) CURRENT ASSETS			802,317	729,105
I.	Trade and other receivables.	9	26,500	18,144
	1. Customers, group companies and associates.	15.2	13,589	14,266
	2. Sundry receivables.		228	107
	3. Staff.		3	10
	4. Current tax assets.	12	12,267	3,277
	5. Other credits with public authorities.	12	413	484
II.	Short-term investments in Group companies and associates	9	761,457	697,829
	1. Corporate loans	15.2	573,945	432,945
	2. Dividend receivable		187,512	264,884
III.	Short-term financial investments	9	9,481	1,089
	1. Derivatives		9,473	1,089
	2. Other financial assets		8	
IV.	Short-term accruals.		1,559	738
V.	Cash and cash equivalents.	9	3,320	11,305
	1. Cash on hand.		3,320	11,305
	2. Cash equivalents			
	TOTAL ASSETS		2,798,391	2,801,194

The accompanying Notes 1 to 17 are an integral part of these Annual Accounts.

(Amounts in thousands of euros at 31 December 2022 and 2021)

EQUITY AND LIABILITIES	Note	2022	2021
A) EQUITY		1,180,850	1,229,731
A-1) Shareholders' equity.	10	1,155,538	1,233,052
I. Capital.		64,931	67,637
1. Registered capital.		64,931	67,637
II. Share premium.		268	268
III. Reserves.		920,030	863,719
1. Legal		13,527	13,527
2. Other reserves.		906,503	850,192
IV. Treasury shares and equity interests		-90,703	-10,251
V. Profit/(loss) from previous years			
1. (Prior years' losses)			
VI. Profit/(loss) for the year		332,013	308,558
VII. Interim dividend		-74,799	
VIII. Other equity instruments		3,798	3,121
A-2) Adjustments for changes in value.		25,312	-3,321
I. Assets at fair value through equity			-374
II. Hedging operations		25,312	-2,947
B) NON-CURRENT LIABILITIES		1,326,454	1,299,321
I. Long-term borrowings	9	1,302,143	1,251,051
1. Bonds and other marketable securities		74,850	74,750
2. Bank borrowings.		1,227,250	1,173,820
3. Derivatives			2,437
4. Other financial liabilities		43	44
II. Long-term debt with group companies and associates	15.2		33,500
III. Deferred tax liabilities.	12	24,311	14,770
C) CURRENT LIABILITIES		291,087	272,142
I. Current payables.	9	249,496	265,216
1. Bonds and other marketable securities		1,634	1,634
2. Bank borrowings.		172,930	259,991
3. Derivatives		132	3,591
4. Other financial liabilities.		74,800	
II. Short-term debt with group companies and associates	15.2	33,713	74
III. Trade and other payables	9	7,878	6,852
1. Suppliers.		1,158	1,052
2. Suppliers, group companies and associates.		8	
3. Sundry payables.		271	333
4. Personnel (remunerations pending payment).		5,911	4,932
5. Current tax liabilities	12		
6. Other debts with Public Administrations.	12	530	535
TOTAL EQUITY AND LIABILITIES		2,798,391	2,801,194

The accompanying Notes 1 to 17 are an integral part of these Annual Accounts.

2. STATEMENT OF PROFIT OR LOSS OF ACERINOX, S.A.

(Amounts in thousands of euros at 31 December 2022 and 2021)

		Note	2022	2021
A.1) CONTINUING OPERATIONS				
1.	Revenue.	13.2	535,501	319,435
	a) Services rendered.		33,742	30,776
	b) Dividends received from group companies	9.2.8	487,916	277,178
	c) Financial income from group companies	15.2	13,843	11,481
2.	Other operating income.	13.2	662	512
	a) Ancillary income and other current operating expenses.		653	509
	b) Operating subsidies included in income for the period		9	3
3.	Staff costs.	13.1	-22,801	-20,504
	a) Wages, salaries and similar.		-20,593	-18,053
	b) Employee benefits.		-2,208	-2,451
4.	Other operating expenses.		-10,054	-8,327
	a) Outside services	13.3	-11,860	-7,998
	b) Taxes.		1,806	-329
	c) Other current expenses			
5.	Depreciation of fixed assets.	5.6 and 7	-496	-654
6.	Impairment and gain or loss on disposal of fixed assets.		-138,906	45,289
	a) Gains (losses) on disposals and other.	6		-15
	b) Impairment of equity instruments	9.2.7	-138,906	45,304
A.2) OPERATING INCOME			363,906	335,751
1.	Finance income.		1,548	604
	a) Of holdings in equity instruments.	9.2.8	857	56
	a1) In third parties.		857	56
	a2) In Group companies and associates			
	b) Marketable securities and other financial instruments.		691	548
	b1) In third parties.		691	548
	b2) In Group companies and associates.			
2.	Finance costs.		-28,643	-24,546
	a) For debts with group companies and associates.	15.2	-2,530	-1,203
	b) For debts with third parties		-26,113	-23,343
3.	Changes in fair value of financial instruments.	9.2.2	-2,102	-272
	a) Trading portfolio and others.		-1,032	-272
	b) Recognition in profit or loss of financial assets at fair value through equity		-1,070	
4.	Exchange differences.	11	2,856	-304
5.	Impairment and gain (loss) on disposal of financial instruments			
A.3) FINANCIAL RESULT			-26,341	-24,518
A.4) PROFIT BEFORE TAX			337,565	311,233
1.	Income tax.	12	-5,271	-2,212
2.	Other taxes	9.2.8	-281	-463
A.5) INCOME FOR THE YEAR FROM CONTINUING OPERATIONS			332,013	308,558
A.6) DISCONTINUED OPERATIONS				
A.7) PROFIT/(LOSS) FOR THE YEAR			332,013	308,558

The accompanying Notes 1 to 17 are an integral part of these Annual Accounts.

3. STATEMENTS OF CHANGES IN EQUITY

3.1 STATEMENT OF RECOGNISED INCOME AND EXPENSE

(Amounts in thousands of euros at 31 December 2022 and 2021)

		Note	2022	2021
A) RESULTS OF THE STATEMENT OF PROFIT OR LOSS			332,013	308,558
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY				
I.	For valuation of financial instruments.		-571	2,908
	1. Financial assets at fair value through equity.	9.2.4	-571	2,908
II.	Arising from cash flow hedges.	9.2.3	35,184	3,766
III.	Arising from actuarial gains and losses and other adjustments.			
IV.	Tax effect.	12	-8,653	-1,669
B) TOTAL INCOME AND EXPENSES CHARGED DIRECTLY TO EQUITY (I+II+III+IV+V)			25,960	5,005
TRANSFERS TO THE STATEMENT OF PROFIT OR LOSS				
I.	For valuation of financial instruments		1,070	
	1. Financial assets at fair value through equity		1,070	
II.	Arising from cash flow hedges	9.2.3	2,494	3,627
III.	Tax effect.	12	-891	-907
C) TOTAL TRANSFERRED TO THE STATEMENT OF PROFIT OR LOSS			2,673	2,720
TOTAL RECOGNISED INCOME AND EXPENSE (A + B + C)			360,646	316,283

The accompanying Notes 1 to 17 are an integral part of these Annual Accounts.

3.2. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in thousands of euros at 31 December 2022 and 2021)

	Registered capital	Share premium	Reserves	Profit/(loss) for the year	Interim dividend	Other equity instruments	Treasury shares	Adjustments for changes in value	TOTAL
Balance as of 31 December 2020	67,637	258	342,886	655,352		2,208	-1,062	-11,046	1,056,233
I. Total recognised income and expenses				308,558				7,725	316,283
1. Results of the statement of profit or loss				308,558					308,558
2. For valuation of financial instruments								10,301	10,301
3. Tax effect								-2,576	-2,576
II. Transactions with partners or owners.			520,754	-655,352		913	-9,189		-142,874
1. Capital increase									
2. Dividends paid			-135,226						-135,226
3. Application of retained earnings			655,352	-655,352					
4. Acquisition of treasury shares							-9,418		-9,418
5. Disposal of treasury shares									
6. Long-term incentive plan for senior executives			628			913	229		1,770
III. Other changes in equity		10	79						89
Balance as of 31 December 2021	67,637	268	863,719	308,558		3,121	-10,251	-3,321	1,229,731
I. Total recognised income and expenses				332,013				28,633	360,646
1. Results of the statement of profit or loss				332,013					332,013
2. For valuation of financial instruments								38,175	38,175
3. Tax effect								-9,542	-9,542
II. Transactions with partners or owners.	-2,706		56,311	-308,558	-74,799	677	-80,452		-409,527
1. Capital increase									
2. Dividends paid			-129,850		-74,799				-204,649
3. Application of retained earnings			308,558	-308,558					
4. Acquisition of treasury shares							-205,980		-205,980
5. Amortisation of treasury shares	-2,706		-121,588				124,294		
6. Long-term incentive plan for senior executives			-809			677	1,234		1,102
III. Other changes in equity									
Balance as of 31 December 2022	64,931	268	920,030	332,013	-74,799	3,798	-90,703	25,312	1,180,850

The accompanying Notes 1 to 17 are an integral part of these Annual Accounts.

3.3. STATEMENTS OF CASH FLOWS OF ACERINOX, S.A.

(Amounts in thousands of euros at 31 December 2022 and 2021)

	Notes	2022	2021
A) CASH FLOWS FROM OPERATING ACTIVITIES		-14,548	-11,056
1. Profit/(loss) for the year before tax		337,565	311,233
2. Adjustments to the result		-319,414	-296,484
a) Depreciation of fixed assets (+)	5.6 and 7	496	654
b) Valuation corrections for impairment (+/-)	9.2.7	138,906	-45,304
c) Gain (loss) on retirements and disposals of financial instruments		1,070	
d) Gain (loss) on retirements and disposals of fixed assets (+/-)			15
e) Finance income (-)		-1,548	-604
f) Finance expenses (+)		28,643	24,545
g) Exchange differences (+/-)		-115	-9,497
h) Changes in fair value of financial instruments (+/-)		-56	9,602
i) Other income and expenses		-486,810	-275,895
3. Changes in working capital		-521	-26,814
a) Trade and other receivables (+/-)		633	-3,905
b) Other current assets (+/-)		1,680	-1,940
c) Trade and other payables (+/-)		512	-12,708
d) Other current liabilities (+/-)		-3,346	-8,261
e) Other non-current assets and liabilities (+/-)			
4. Other cash flows from operating activities		-32,178	1,009
a) Interest payments (-)		-23,637	-23,105
b) Dividend collections (+)			
c) Interest income (+)		691	548
d) Income tax payments (collections) (+/-)		-9,232	23,566
B) CASH FLOWS FROM INVESTING ACTIVITIES		380,789	-8,164
5. Payments for investments (-)		-195,507	-31,600
a) Group companies and associates		-194,213	-31,067
b) Intangible assets		-368	-264
c) Property, plant and equipment		-926	-248
d) Other financial assets			-21
e) Other assets (Group loans)			
6. Proceeds from divestitures (+)		10,157	11,079
a) Group companies and associates			
b) Property, plant and equipment			4
c) Other financial assets			
d) Other assets (Group loans)		10,157	11,075
7. Dividend collection (+)		566,139	12,357
a) Other collections/payments for investment activities		566,139	12,357
C) CASH FLOWS FROM FINANCING ACTIVITIES		-374,227	-150,390
8. Payments for investments (-)		-205,979	-9,418
a) Issuance of equity instruments (-)			
b) Acquisition of own equity instruments (-)			
c) Acquisition of own equity instruments (-)		-205,979	-9,418
d) Disposal of own equity instruments (+)			
9. Receivables and payments for financial liability instruments	9.2.6	-38,398	-5,746
A) Issuance		430,138	355,004
1. Bonds and other marketable securities (+)			
2. Bank borrowings (+)		430,000	355,000
3. Payables to group companies and associates (+)		138	4
B) Reimbursement and amortisation of:		-468,536	-360,750
1. Bonds and other marketable securities (+)			
2. Bank borrowings (-)		-468,536	-360,454
3. Payables to group companies and associates (-)			
4. Other debts			-296
9. Payments for dividends and remuneration of other equity instruments		-129,850	-135,226
A) Dividends (-)	10.5	-129,850	-135,226
B) Remuneration of other equity instruments (-)			
D) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS		-7,986	-169,610
Cash and cash equivalents at the beginning of the year		11,306	180,915
Cash and cash equivalents at the end of the year		3,320	11,305

The accompanying Notes 1 to 17 are an integral part of these Annual Accounts.

CONTENTS: NOTES TO THE ANNUAL ACCOUNTS OF ACERINOX, S.A.

5. NOTES TO THE FINANCIAL STATEMENTS OF ACERINOX, S.A.

NOTE 1 – COMPANY ACTIVITIES

Name of the Company: Acerinox, S.A. (hereinafter, "the Company").

Incorporation: the Company was incorporated as a public limited liability company for an indefinite period of time on 30 September 1970.

Registered office, tax domicile and location in which its business activities are performed: the Company's registered office and tax domicile are located at calle Santiago de Compostela, no. 100, Madrid, Spain.

Company object and main business activities: the Company's object, as described in its bylaws, consists of the manufacture and sale of stainless steel and high-performance alloys products through the ownership of shares or other equity interests in companies with an identical or similar company object. The Company's main business activity is that of a holding company, in its condition as the Parent of the Acerinox Group. Acerinox, S.A., approves and supervises the strategic business areas. It also provides various corporate services (including legal, accounting and consulting) and is responsible for the management and administration of financing within the Group.

As indicated in Note 9.2.7, the Company holds ownership interests in subsidiaries and associates. The Company is therefore the parent of a group of companies.

The Acerinox Group is a leading global manufacturer of stainless steel, distinguished by its widespread presence in Europe, significant leadership across the United States and Africa, and the leader in high-performance alloys worldwide. Its activity is divided into two main divisions: the manufacture of stainless steel and the manufacturing of high-performance alloys.

The Group has six stainless steel plants on four continents, located in Campo de Gibraltar (Spain), Ponferrada (Spain) and Igualada (Spain), Ghent (Kentucky, USA), Middleburg (Mpumalanga, South Africa) and Johor Bahru (Malaysia). In addition, it has five high-performance alloy plants in Germany (Unna, Duisburg, Siegen, Werdohl and Altena) and two more in the USA (New Jersey and Nevada). The Group also has an extensive distribution network that enables it to sell in more than 80 countries. The Group boasts a steel production capacity of 3.5 million tonnes.

The presentation of consolidated annual accounts is obligatory, pursuant to generally accepted accounting principles and standards, in order to present fairly the financial position, results of operations, changes in equity and cash flows of the Group.

At 31 December 2022, Acerinox. At 31 December 2022, Acerinox, S.A. did not form part of a decision-making unit with other companies with registered office in Spain other than those included in Note 9.2.7.

Fiscal year: The fiscal year of Acerinox, S.A. covers 12 months. It begins on 1 January and ends on 31 December.

Authorisation for issue of the financial statements: These annual accounts were authorised for issue by the Board of Directors of Acerinox, S.A., on 28 March 2023.

On that same date, the directors also authorised for issue the consolidated annual accounts of Acerinox, S.A. and subsidiaries for 2022, which present consolidated profit attributable to the Parent Company of EUR 556,054 thousand (2021: EUR 571,882 thousand) and consolidated equity of EUR 2,547,693 thousand (2021: EUR 2,214,862 thousand).

NOTE 2 – BASIS OF PRESENTATION OF THE ANNUAL ACCOUNTS

2.1 Fair presentation

In accordance with current legislation, the Company's directors formally prepared these annual accounts, in order to present fairly its equity and financial position at 31 December 2022 and the results of its operations, the changes in its equity and the cash flows in the year then ended.

The annual accounts have been prepared from the Company's accounting records and are presented in accordance with current mercantile legislation, with the rules established in the Spanish General Chart of Accounts approved by Royal Decree 1514/2007 and the amendments incorporated, the latest being those introduced by Royal Decree 1/2021, dated 12 January, effective for years beginning on or after 1 January 2021.

The Company's directors consider that the annual accounts for 2022 will be approved by the shareholders at the Annual General Meeting without any changes.

2.2 Comparative information

For comparison purposes the accompanying annual accounts present, in addition to the figures for 2022 for each item in the balance sheet, statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the annual accounts, the figures for 2021, which formed part of the annual accounts for 2021 approved by the shareholders at the Annual General Meeting on 16 June 2022.

These annual accounts are presented in euros, which is the Company's functional and presentation currency, and the figures are rounded off to the nearest thousand.

2.3 Key issues in relation to the measurement and estimation of uncertainty

Preparation of the annual accounts in accordance with the Spanish National Chart of Accounts approved by Royal Decree 1514/2007 requires Company management to make certain judgements, estimates and assumptions that affect the application of the accounting policies and, therefore, the figures presented in these annual accounts. The accounting estimates and judgements are assessed on an ongoing basis and are based on historical experience and other factors, including expectations regarding future events that are considered to be reasonable. The Company may revise such estimates if changes were to occur in certain events or circumstances. Any changes in estimates are recognised in the financial statements prospectively, as established in Recognition and Measurement Standard 22 of the Spanish National Chart of Accounts. The accounting estimates and judgements are reviewed regularly.

The most significant are as follows:

a. Fair value of derivatives and other financial instruments

The Company acquires derivative financial instruments to hedge its exposure to the risk of exchange rate and interest rate fluctuations. The fair value of financial instruments not traded in active markets is determined using valuation techniques based mainly on market conditions existing at each reporting date, and provided that financial information is available to carry out this valuation. Note 9.2 includes information on all of the Company's financial instruments.

b. Impairment losses on investments in Group companies and associates

If there are any indications that the Company's investments in Group companies and associates may have become impaired, it assesses whether their cost exceeds their recoverable amount, which is usually determined on the basis of value in use (present value of the cash flows expected to be generated by the investee) or at their fair value less costs to sell. These calculations require the use of assumptions, for example in relation to sales, margins, discount rates and perpetuity growth rates, which involve a high degree of judgement. Note 9.2.7 details the analyses conducted by the Company in 2022 and 2021.

c. Recoverability of tax loss and tax credit carryforwards

Separately from tax legislation, which in Spain allows the recovery of tax losses without limitation, as established in the related accounting policy (see Note 4.7), the Company recognises in the balance sheet the deferred tax assets arising from tax loss and tax credit carryforwards, provided that they are recoverable over a reasonable period of time, which the Company has set at ten years. The Company regularly assesses the recoverability of available tax assets through earnings projections approved by management, to conclude as to whether they will be recoverable in the aforementioned reasonable period.

The Company also takes into account the limitations on the offset of tax losses stipulated in legislation. Note 12.3 details the Company's existing tax assets and the assumptions used to determine the recoverability of recognised tax assets. Following impairments from past years, the Company hardly has any recognised tax assets.

The Company files consolidated income tax returns, together with the other Spanish entities that form part of the Group (with the exception of the entities established in the regions of Álava, Vizcaya and Guipúzcoa). The Company takes this circumstance into consideration when determining earnings projections and the recoverability of the tax assets.
Despite the Company's positive results this year, the tax group generated tax losses, mainly due to high energy costs and the decline in demand and prices in the second half of the year, so that it was not possible to use tax loss carryforwards from previous years. Based on the recoverability analyses carried out, the tax group has recognised tax credits amounting to EUR 15,550 thousand as a result of the tax loss carryforwards generated in the year.

NOTE 3 – DISTRIBUTION OF PROFIT AND SHAREHOLDER REMUNERATION

The proposed distribution of profit of the Parent, Acerinox, S.A., for 2022 that the Board of Directors will submit for approval by the shareholders at the Annual General Meeting is as follows:

	2022
Basis for distribution:	
Profit for the year	332,013,162.17
Application:	
Dividends	149,599,164.60
To voluntary reserves	182,413,997.57

The amount of the dividend distribution may vary depending on the number of treasury shares held at the time of distribution. The calculation is based on the treasury shares held at the end of the year.

The Board of Directors of Acerinox, S.A. resolved to propose to the next Annual General Meeting of the Company a dividend distribution of EUR 0.60 per share.

On 16 June 2022, the General Meeting of Shareholders approved the appropriation of the results of the parent company for the financial year 2021, with the following distribution:

	2021
Basis for distribution:	
Profit for the year	308,558,304.89
Application:	
Dividends	135,273,096.00
To voluntary reserves	173,285,208.89

The Annual General Meeting approved a dividend, which has been distributed this year, of EUR 0.50 per share.

NOTE 4 – ACCOUNTING POLICIES

4.1 Intangible assets

a) Computer software

Acquired licenses for computer software are capitalised based on the costs incurred to acquire them and prepare them for use of the specific software.

Computer software development and maintenance costs are recognised as such on an accrual basis. Costs directly related to the production of unique and identifiable computer software by the Company, provided that they are likely to generate economic benefits exceeding those costs over more than one year, are recognised as intangible assets. The capitalised costs include direct labour and directly attributable general expenses.

Computer software is amortised on a straight-line basis over the three-year period in which it is expected to be used.

Note 5 includes detailed information on intangible assets.

4.2 Property, plant and equipment

a) Owned assets

Property, plant and equipment acquired before 31 December 1996 are measured at acquisition cost and are revalued in accordance with the provisions of the applicable legal regulations, less any accumulated depreciation and impairment losses.

Subsequent additions were measured at acquisition cost less any accumulated depreciation and impairment losses, if applicable.

After initial recognition of the asset and once it is ready for use, only the costs incurred for improvements that it is probable will give rise to future economic benefits and that can be measured reliably are capitalised. In this connection, the costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as they are incurred.

Gains or losses on the sale or disposal of property, plant and equipment are recognised in profit or loss as operating income or expenses.

b) Depreciation

Items of property, plant and equipment are depreciated systematically on a straight-line basis over the years of their useful life. For these purposes, depreciable amount is understood to be acquisition cost less residual value. The Company calculates the depreciation charge separately for each part of an item of property, plant and equipment whose cost is significant in relation to the total cost of the item.

Land is not depreciated.

Property, plant and equipment are depreciated over the following years of useful life:

- Buildings: 50 years
- Other items of property, plant and equipment: 5-10 years

The residual value, the depreciation method and the useful life of the assets are reviewed, and adjusted if necessary, at each reporting date. Any modifications to the estimates initially made are accounted for as a change in estimate (see Note 2.3).

Note 6 includes detailed information on property, plant and equipment.

4.3 Investment property

"Investment Property" consists of Company-owned buildings not occupied by the Company which are held to earn returns, either through rental or through capital appreciation and subsequent disposal of the buildings.

The Company only transfers items between "Property, Plant and Equipment" and "Investment Property" when a change in the use of the property occurs.

Investment property is initially recognised at cost, including transaction costs. After initial recognition, the Company applies the same requirements established for property, plant and equipment, including the depreciation period.

Lease income is recognised as indicated in Note 4.8.

4.4 Impairment of non-financial assets

The carrying amount of non-financial assets other than inventories and deferred tax assets is reviewed at the end of each reporting period in order to assess whether any indication of impairment thereof exists. If such an indication exists, the Company estimates the recoverable amount of the asset.

The Company considers that indications of impairment exist when there is/are a significant decrease in the value of the asset, significant changes in the legal, economic or technological environment that could affect the measurement of assets, obsolescence or physical impairment, idle assets, low returns on assets, discontinuation or restructuring plans, repeated losses at the entity or substantial deviation from the estimates made. That is to say, the assessment of the existence of indications of impairment takes into account both external sources of information (technological changes, significant variations in market interest rates, market values of assets, etc.) and internal sources (evidence of obsolescence, etc.).

Valuation adjustments for impairment losses on an asset are recognised whenever the carrying amount of the asset, or of the corresponding cash-generating unit, exceeds its recoverable amount. The provisions for losses on an asset are recognised as an expense in the statement of profit or loss.

The recoverable amount of an asset is the higher of fair value less costs of disposal and value in use. Value in use is the present value of estimated cash flows, applying a discount rate that reflects the present market valuation of the time value of money and the specific risks of the asset in question.

Valuation adjustments for impairment on an asset which was recognised in prior years is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the most recent impairment loss was recognised. However, the new carrying amount may not exceed the carrying amount (net of depreciation and amortisation) that would have been determined had no impairment loss been recognised.

4.5 Financial instruments

A financial instrument is a contract that gives rise to a financial asset at one company and, simultaneously, a financial liability or an equity instrument at another.

4.5.1 Classification

The Company classifies financial instruments in the different categories based on the characteristics and business model used to manage them and the contractual terms of their cash flows.

The Group does not generally reclassify any financial assets or liabilities, unless the business model changes.

4.5.2 Financial assets

A financial asset is any contractual right to receive cash or another financial asset.

Financial assets are initially recognised at fair value plus the transaction costs that are directly attributable to their acquisition or issue.

They are subsequently measured on the basis of each of the categories in which they have been classified:

Acquisitions and disposals of financial assets are recognised at the date on which the Company undertakes to acquire or sell the asset. Investments are derecognised when the rights to the cash flows from the investments expire or have been transferred and the Company has transferred substantially all the risks and rewards of their ownership. The derecognition of a financial asset involves the recognition in profit or loss of the difference between its carrying amount and the sum of the consideration received, net of transaction costs.

The detail of the accounting policies relating to the Company's financial assets is as follows:

a) Financial assets at amortised cost

This category includes financial assets which, while not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market. Specifically, included in this category are trade receivables and non-trade receivables. They are classified as non-current only when they mature after more than 12 months from the reporting date. They are initially recognised at fair value which, unless there is evidence to the contrary, is the transaction price plus any directly attributable transaction costs. Subsequently measured at amortised cost using the effective interest method, except for accounts receivable measured at their transaction price as they do not have a significant financial component, they are expected to be received in the short-term and the effect of not discounting the related cash flows is not significant.

The Company recognises the necessary impairment losses whenever there is evidence that a receivable has become impaired. The impairment losses are calculated as the difference between the carrying amount of the aforementioned assets and the present value of the estimated future cash flows that they are expected to generate, discounted at the effective interest rate calculated upon initial recognition. These losses are recognised as an expense in the statement of profit or loss and are reversed when the causes of their original recognition cease to exist. The amount of the reversal is recognised as income in profit or loss.

b) Financial liabilities at fair value through profit or loss

The Company includes derivative financial instruments in this category, provided that they have not been designated as hedging instruments.

The derivative financial instruments included in this category are classified as current assets and are measured at fair value. Transaction costs that are directly attributable to the acquisition are recognised as an expense in profit or loss. The changes in fair value are recognised in profit or loss.

c) Financial assets at cost

This category includes investments in Group companies and associates.

Investments in Group companies and associates are initially recognised at cost, i.e. the fair value of the consideration given plus any directly attributable transaction costs. They are subsequently measured at cost net of any accumulated impairment losses.

The Company recognises the necessary impairment losses whenever there is evidence that the carrying amount of an investment exceeds its recoverable amount. Such evidence of impairment losses is considered to exist when the carrying amount of the investee is lower than the carrying amount of the ownership interest recognised in the financial statements of Acerinox, S.A. less any unrealised gains, taking into account the budgets approved for the next financial year or when the investee reports repeated losses over various years.

The Company recognises impairment on an ownership interest whenever its carrying amount exceeds its recoverable amount.

The recoverable amount of an investment is the higher of fair value less costs of disposal and the present value of the future cash flows from the investment.

The present value of the future cash flows may be determined either by estimating the cash flows expected to be received as a result of the distribution of dividends and from the sale or derecognition of the investment, or by estimating the Company's share of the cash flows that are expected to be generated by the investee from its ordinary activities.

Valuation adjustments are recognised as operating expenses in profit or loss statements, or as operating income when reversed.

d) Financial assets at fair value through equity

This category includes the Company's ownership interests in the share capital of other companies over which it does not have control or exercise significant influence, and which it does not hold for trading.

They are initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at fair value, provided that this can be measured reliably, recognising the gain or loss in equity (statement of recognised income and expense). The fair value of listed securities is determined by reference to the share price. The fair value of financial assets not listed on an organised market is calculated by discounting future cash flows.

In the case of the sale of available-for-sale financial assets, cumulative gains or losses arising from changes in fair value and recognised in comprehensive income are reclassified to profit or loss statement.

When the decrease in the fair value has been recognised in comprehensive income and there is objective evidence that the asset has suffered impairment, the cumulative loss is reclassified from equity to profit or loss. The amount reclassified to profit or loss shall be the difference between the acquisition cost and the present fair value, less any previously recognised impairment losses on that asset. Impairment losses recognised in profit or loss are not reversed in profit or loss, but rather in equity. Any increase in fair value following the recognition of impairment is recognised as a valuation adjustment in comprehensive income.

At the end of each year the Company assesses whether there is any objective evidence of impairment, which occurs when there is a sustained decrease in the market price of the asset or a significant decrease in market price below its cost. To do this, the Company evaluates the historical market prices of the securities and the period during which the market price is below cost.

4.5.3 Financial liabilities

For measurement purposes, the Company's financial liabilities are classified under the following categories:

a) Financial liabilities at amortised cost

This category includes non-derivative financial liabilities with fixed or determinable payments. This category includes loans, bonds issued by the Company and trade and other payables.

The financial liabilities classified in this category are initially recognised at cost, which matches their fair value, less any transaction costs incurred. They are subsequently measured at amortised cost using the effective interest method. Accrued interest is recognised in profit or loss. However, trade payables maturing within one year which do not have a contractual interest rate and are expected to be paid at short-term are stated at their nominal value.

The Company derecognises a financial liability when the obligation specified in the contract is either discharged or cancelled or expires.

The Company has entered into reverse factoring arrangements with various banks in order to manage payments to suppliers. Trade payables payment of which is managed by the banks are recognised under "Trade and Other Payables" until the related obligation is discharged or cancelled or expires.

When debt is refinanced, the Company assesses the significance of the modifications made to determine whether they are substantially different and, therefore, recognises the effects of the new agreement as if it were an extinguishment and, simultaneously, the recognition of a new loan. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, qualitative factors will be taken into account in the evaluation, such as the change in the interest rate from variable to fixed or the change in currency. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

b) Financial liabilities at fair value through profit or loss

The Company includes derivative financial instruments in this category, provided that they are not financial guarantee contracts or designated as hedging instruments.

They are measured at fair value. Any changes in fair value are recognised in profit or loss statement.

4.5.4 Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits at banks. This line item also includes other short-term, highly liquid investments that are readily convertible to specified amounts of cash and subject to an insignificant risk of changes in value. For these purposes, cash and cash equivalents include investments maturing in less than three months from the date of acquisition.

In the statement of cash flows, the Company classifies interest received and paid as cash flows from operating activities, dividends received as cash flows from investing activities and dividends paid as cash flows from financing activities.

4.5.5 Guarantees provided and received

As regards guarantees provided or received for operating leases or for the rendering of services, the difference between their fair value and the amount paid is treated as an advance payment or collection for the lease or service rendered. In estimating the fair value of guarantees, the residual term is taken to be the minimum contractual term agreed during which the amount of the guarantee cannot be refunded.

Short-term guarantees are measured at their nominal value.

4.5.6 Hedge accounting

The aim of hedge accounting is to represent in the financial statements the effect of the Group's risk management activities in which derivative financial instruments are used to hedge exposure to certain risks that might affect the statement of profit or loss. By means of a hedge, one or more financial instruments, known as hedging instruments, are designated to hedge a specifically identified risk that could affect the statement of profit or loss as a result of changes in the fair value or cash flows of one or more hedged items.

A hedging relationship qualifies for hedge accounting only if the following criteria are met:

a) The hedging relationship consists only of eligible hedging instruments and eligible hedged items.
b) At the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge.
c) The hedge must be effective throughout the expected life to offset the changes in fair value or cash flows attributable to the hedged risk, in accordance with the original documented risk management strategy.

The Company considers that the hedge is highly effective if:

i. There is an economic relationship between the hedged item and the hedging instrument.
ii. The credit risk does not dominate the value changes resulting from that economic relationship.
iii. The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

The Company designates as hedging instruments only derivatives whose fair value or future cash flows offset changes in the fair value or future cash flows of items that qualify as hedged items.

The Company only undertakes cash flow hedges.

At the inception of the hedge, the Group designates and formally documents the hedging relationship and the objective and strategy for undertaking the hedge.

Derivative financial instruments are initially recognised at acquisition cost, which matches fair value, and are subsequently measured at fair value.

Derivative financial instruments that do not qualify for hedge accounting are classified and measured as financial assets or liabilities maintained to negotiate, thus, at fair value through profit or loss statements. Derivative financial instruments that qualify for cash flow hedge accounting are treated as cash flow hedges and, therefore, the unrealised gain or loss arising from them is accounted for based on the type of item covered. Also, the effective portion of the realised gain or loss on the derivative financial instrument is initially recognised in the statement of recognised income and expense and is subsequently recognised in profit or loss in the year or years in which the hedged transaction affects profit or loss.

The Company prospectively discontinues hedge accounting when the hedging instrument expires, is sold or the hedge no longer meets the criteria for hedge accounting. In such cases, the cumulative gain or loss recognised in equity is recognised in profit or loss.

4.6 Foreign currency transactions

Foreign currency transactions are translated to the functional currency using the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the reporting date at the exchange rates then prevailing. Any exchange differences that arise from such translation are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies and recognised at historical cost are translated to the functional currency using the exchange rates prevailing at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies and measured at fair value are translated to the corresponding functional currency at the exchange rates prevailing at the date on which the fair value was determined. Exchange differences on non-monetary items measured at fair value are presented as a component of the fair value gain or loss.

In presenting the statement of cash flows, cash flows arising from transactions in a foreign currency are translated to euros by applying the exchange rates prevailing at the date of the cash flow.

Differences arising on settlement of foreign currency transactions are recognised in profit or loss.

4.7 Income tax

The income tax expense comprises current tax and deferred tax.

Current tax is the tax expected to be paid in respect of the taxable profit or tax loss for the year, using tax rates enacted at the balance sheet date and applicable to the year. Current tax also includes any adjustment to the tax payable or receivable for prior years.

Deferred taxes are calculated using the balance sheet liability method based on the temporary differences that arise between the tax bases of the assets and liabilities and their carrying amounts in the annual accounts. Deferred taxes are determined by applying the tax rates (and laws) enacted, or substantively enacted, at the consolidated statement of financial position date, and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The effect of a change in the tax rate on the deferred tax assets and liabilities is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred tax liabilities are always recognised. Deferred tax assets are recognised only to the extent that it is considered probable that taxable profits or deferred tax liabilities will arise in the future against which the temporary differences can be offset.

The Company recognises in the balance sheet the deferred tax assets arising from tax loss or tax credit carryforwards, provided that they are recoverable in a reasonable period of time, also taking into account the legally established limits for their use. Management has deemed a period of ten years to be reasonable.

In order to determine the recoverability of the tax assets, future earnings projections approved by management are performed. These take into account present macroeconomic and market circumstances. As the Company files consolidated tax returns, it takes into account the earnings projections of all the entities that form part of its tax Group.

Deferred tax assets are reduced when it is no longer considered probable that sufficient future taxable income will be generated or there are no deferred tax liabilities against which the assets can be offset. Reductions are reversed if there is renewed expectation that sufficient taxable income will be available against which the derecognised balance can be utilised. Both the deferred tax asset reduction and its subsequent reversal are recognised as an increase or decrease in the tax expense, respectively, in profit or loss in the year in which they arise.

In accordance with the option provided for in the Spanish National Chart of Accounts, the Company may offset current or deferred tax assets and liabilities if it has a legally enforceable right to do so and intends either to settle the liabilities on a net basis or to realise the assets and settle the liability simultaneously. However, the Company has not availed itself of this option.

Deferred tax assets and liabilities are recognised in the Company balance sheet under non-current assets or non-current liabilities, irrespective of the expected date of realisation or settlement.

When tax audits result in a tax deficiency to be settled, the Group generally recognises such amounts as a current expense for the amount payable, and a deferred tax expense for the change in assets or liabilities arising from temporary differences resulting from the related tax assessment.

The Company has been taxed under the consolidated tax regime since 1998. As agreed by the shareholders at the Annual General Meeting held on 28 May 2003, Acerinox, S.A. and certain of the subsidiaries with registered office in Spain form part of a consolidated tax group on an indefinite basis, with the exception of Metalinox

Bilbao, S.A.U. and Inoxidables de Euskadi, S.A.U., which file tax returns separately. At 31 December 2022 and 2021, the consolidated tax group was made up of: Acerinox, S.A., Acerinox Europa, S.A.U., Roldan, S.A., Inoxfil, S.A., Inoxcenter, S.L.U. and Inoxcenter Canarias, S.A.U. Under this regime, mutual credits and debits may arise between the companies forming part of the consolidation perimeter. Reciprocal receivables and payables between Group companies may arise as a result of the application of this regime. In this connection, if a company in the tax group incurs a tax loss in the year and the companies in the tax group as a whole offset all or a portion thereof in the consolidated income tax return, a reciprocal receivable and payable arises between the Group companies in relation to the portion of the tax loss that was offset. Also, the tax credits and tax relief relating to the income tax charge shall affect the calculation of the tax payable at each company for the effective amount thereof applicable under the consolidated tax regime and not for the amount (whether higher or lower) that would correspond to each company if individual tax returns were filed.

The amount of the payables or receivables in this connection is recognised under "Payables to Group Companies" in the balance sheet.

4.8 Income and expenses

Revenue is an increase in economic benefits during the year in the form of additions or increases in the value of assets or decreases in liabilities that result in an increase in equity and are not related to owners' contributions.

Revenue depicts the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of the good or service sold, i.e. when the customer has the ability to direct the use of, and obtain substantially all of the benefits from the good or service.

The Company takes into consideration the five-step model to determine when, and for what amounts, revenue should be recognised.

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

A contract is an agreement between two or more parties that creates enforceable rights and obligations. A contract does not exist if each party to the contract has the unilateral enforceable right to terminate an unperformed contract without compensating the other party (or parties).

The amount recorded is determined by deducting from the amount of the consideration for the transfer of goods or services committed to customers or other income corresponding to the Company's ordinary activities, the amount of discounts, returns, price reductions, incentives, as well as value-added tax and other taxes directly related thereto that must be passed on.

The income of Acerinox, S.A. arises mainly from its ownership interests in the Group companies, as well as from the provision of services to its subsidiaries and the performance of financing activities within the Group, which constitute its ordinary activities. Consequently, and in accordance with ruling number 2 published in Official Gazette No. 79 of the Spanish Accounting and Audit Institute (ICAC), the income earned from these activities is included under "Revenue" in the statement of profit or loss.

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

- Income from services rendered

In the case of the services provided by Acerinox, S.A., these are generic advisory and management services in various business areas, which are provided to Group companies on a monthly basis, so there are no compliance milestones. The cost is clearly identified in the contracts and based on the entity's costs. Therefore, the Group recognises revenue on a monthly basis based on the consideration to be received.

a) Dividend income

Dividend income is recognised when the right to receive payment is established.

b) Leases

Lease income and expenses are recognised in profit or loss on a straight-line basis over the term of the lease.

4.9 Provisions and contingencies

The Company recognises a provision when:

(i) it has a present obligation, whether legal or constructive, as a result of past events;
(ii) it is more likely than not that an outflow of resources will be required to settle the obligation; and
(iii) the amount can be estimated reliably.

The amounts recognised in the financial statement corresponds to the best estimate at the reporting date of the disbursements required to discharge the present obligation, after taking into account the risks and uncertainties relating to the provision and, where significant, the interest cost arising from discounting, provided that the disbursements that are to be made in each period can be reliably estimated.

4.10 Employee benefits

Employee compensation includes the following:

- Short-term compensation: that which is expected to be paid in full within twelve months from the end of the reporting period in which the employees rendered their services. They are recognised as expenses in the year in which the service is rendered. They include wages and salaries, social security contributions, paid annual leave and sick leave, profit sharing and incentive or non-monetary compensation.
- Other long-term employee benefits: defined benefit plans
- Severance indemnities

A defined benefit plan is an obligation acquired by the Company to its employees to remunerate services rendered.

The Company has obligations to certain of its employees when they reach retirement age. Defined benefit liabilities are recognised at the present value of the obligations existing at the reporting date less the fair value of the plan assets at that date. Where plan assets include qualifying insurance policies that exactly match the amount and timing of some or all of the benefits payable under the plan, the fair value of the insurance policies is considered equal to the present value of the related payment obligations.

4.10.1 Share-based payment transactions

The Company applies Recognition and Measurement Standard 17 of the Spanish National Chart of Accounts, in relation to equity-settled transactions with employees, to equity-settled transactions in which the entity receives goods or services in exchange for shares of the Parent.

In accordance with the terms of the share-based payment plans approved by the Group, the equity instruments granted do not vest immediately, and do so when a certain service period is completed, so the Company recognises the services received on a straight-line basis over the period in which the rights to receive such shares vest, recognising at the same time the corresponding increase in equity.

The goods or services received, as well as the corresponding increase in equity, are measured at fair value on the date the equity instruments are granted. Fair value is determined by the market price of the entity's shares adjusted to take into account the terms and conditions on which those shares were granted (except for vesting conditions, other than market conditions, which are excluded from the determination of fair value). For this purpose, the Company uses the valuation of an independent expert, who used a valuation method accepted in accordance with customary market techniques.

When the obligation to deliver its own equity instruments is to the employees of a subsidiary, the events must be qualified as a "contribution", in which case the Parent recognises an increase in the value of its interest in the subsidiary, with a credit to its own equity instruments, and measures it at the fair value of the equity instruments transferred at the grant date.

Upon delivery of the shares, the accounting difference between the equity item cancelled and the treasury shares delivered is recognised with a charge to the Parent's reserves.

4.11 Related party transactions

The Company's financial statements include transactions performed with the following related parties:

- Group companies;
- key executives of the Group, members of the Board of Directors and persons related to them; and
- Significant shareholders of the Company.

All the transactions performed with related parties are performed under market conditions. It was not necessary to make value judgements or estimates in relation to related party transactions.

The transactions performed by the Company with related parties are detailed in Note 15.

4.12 Classification of assets and liabilities between Current/Non-current

In the balance sheet the Company classifies assets and liabilities as current and non-current items. For such purpose, assets and liabilities are classified as current when they are expected to be settled, realised, sold or consumed in the normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised or settled within 12 months after the reporting date, or when they are cash or cash equivalents.

NOTE 5 – INTANGIBLE ASSETS

The detail of the main classes of intangible assets and of the changes therein in 2022 and 2021 is as follows:

(Amounts in thousands of euros)

COST	Computer software	Advances for computer software	TOTAL
Balance as of 31 December 2020	14,149	186	14,335
Procurements	210	54	264
Balance as of 31 December 2021	14,359	240	14,599
Procurements	156	213	369
Balance as of 31 December 2022	14,515	453	14,968

ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS	Computer software	Advances for computer software	TOTAL
Balance as of 31 December 2020	13,853		13,853
Allocation	264		264
Balance as of 31 December 2021	14,117		14,117
Allocation	159		159
Balance as of 31 December 2022	14,276		14,276

NET VALUE	Computer software	Advances for computer software	TOTAL
Cost as of 31 December 2020	14,149	186	14,335
Accumulated amortisation and impairment losses	-13,853		-13,853
Carrying amount as of 31 December 2020	296	186	482
Cost as of 31 December 2021	14,359	240	14,599
Accumulated amortisation and impairment losses	-14,117		-14,117
Carrying amount as of 31 December 2021	242	240	482
Cost as of 31 December 2022	14,515	453	14,968
Accumulated amortisation and impairment losses	-14,276		-14,276
Carrying amount as of 31 December 2022	239	453	692

The amortisation charge for the year is included under “Depreciation and Amortisation Charge” in the statement of profit or loss.

Fully depreciated goods

In 2022, the Company’s fully amortised intangible assets amounted to EUR 14,105 thousand (2021: EUR 13,652 thousand).

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

The detail of the various categories of property, plant and equipment and of the changes therein in 2022 and 2021 is shown in the following table:

(Amounts in thousands of euros)

COST	Land	Buildings	Other items of property, plant and equipment	Property, plant and equipment in the course of construction	TOTAL
Balance as of 31 December 2020	2,718	5,065	7,770	0	15,553
Additions		56	192		248
Disposals		-46	-40		-86
Balance as of 31 December 2021	2,718	5,075	7,922	0	15,715
Additions		19	146	762	927
Transfers	1,622	2,998			4,620
Disposals			-3		-3
Balance as of 31 December 2022	4,340	8,092	8,065	762	21,259

ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS	Land	Buildings	Other items of property, plant and equipment	Property, plant and equipment in the course of construction	TOTAL
Balance as of 31 December 2020	0	3,040	7,383	0	10,423
Allocation		77	207		284
Disposals		-26	-40		-66
Balance as of 31 December 2021	0	3,091	7,550	0	10,641
Allocation		99	152		251
Transfers		2,036			2,036
Disposals			-1		-1
Balance as of 31 December 2022	0	5,226	7,701	0	12,927

NET VALUE	Land	Buildings	Other items of property, plant and equipment	Property, plant and equipment in the course of construction	TOTAL
Cost as of 31 December 2020	2,718	5,065	7,770	0	15,553
Accumulated depreciation	0	-3,040	-7,383	0	-10,423
Carrying amount as of 31 December 2020	2,718	2,025	387	0	5,130
Cost as of 31 December 2021	2,718	5,075	7,922	0	15,715
Accumulated depreciation	0	-3,091	-7,550	0	-10,641
Carrying amount as of 31 December 2021	2,718	1,984	372	0	5,074
Cost as of 31 December 2022	4,340	8,092	8,065	762	21,259
Accumulated depreciation	0	-5,226	-7,701	0	-12,927
Carrying amount as of 31 December 2022	4,340	2,866	364	762	8,332

Disposals of property, plant and equipment

Only EUR 2 thousand of property, plant and equipment were written off in 2022 (2021: EUR 20 thousand). As at 31 December 2022, there is no gain or loss on disposal of fixed assets (2021: EUR 15 thousand included in the income statement under "Gains (losses) on disposals and other").

Fully depreciated goods

At 31 December 2022, the Company had fully depreciated items of property, plant and equipment amounting to EUR 7,393 thousand (2021: EUR 7,158 thousand).

Other disclosures

There were no legal proceedings, attachments or similar measures that could affect items of property, plant or equipment at 31 December 2022 or 2021.

Insurance

The Company has taken out several insurance policies to cover the risks to which its property, plant and equipment are subject. It is considered that these policies sufficiently cover such risks.

Environment

The Company does not have any items of property, plant and equipment aimed at minimising environmental impact.

In 2022, as in 2021, the Company did not incur any environmental expenses.

NOTE 7 – INVESTMENT PROPERTY

The detail of the changes in "Investment Property" in 2022 and 2021 is shown in the following table:

(Amounts in thousands of euros)

COST	Land	Buildings	TOTAL
Balance as of 31 December 2020	2,853	5,318	8,171
Balance as of 31 December 2021	2,853	5,318	8,171
Transfers	-1,622	-2,998	-4,620
Balance as of 31 December 2022	1,231	2,320	3,551

ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS	Land	Buildings	TOTAL
Balance as of 31 December 2020	0	3,411	3,411
Allocation		106	106
Balance as of 31 December 2021	0	3,517	3,517
Allocation		86	86
Transfers		-2,036	-2,036
Balance as of 31 December 2022	0	1,567	1,567

NET VALUE	Land	Buildings	TOTAL
Cost as of 31 December 2020	2,853	5,318	8,171
Accumulated depreciation		3,411	3,411
Carrying amount as of 31 December 2020	2,853	1,907	4,760
Cost as of 31 December 2021	2,853	5,318	8,171
Accumulated depreciation		-3,517	-3,517
Carrying amount as of 31 December 2021	2,853	1,801	4,654
Cost as of 31 December 2022	1,231	2,320	3,551
Accumulated depreciation		-1,567	-1,567
Carrying amount as of 31 December 2022	1,231	753	1,984

During the year, certain plants at the Company's head offices were reclassified from investment property to property, plant and equipment, as they are now used by the Company itself and are no longer available for lease. The Company does, however, maintain certain plants leased to Group companies in this category.

The lease income obtained by the Company in 2022 amounted to EUR 341 thousand (2021: EUR 328 thousand). The associated operating expenses, including repair and maintenance expenses, amounted to EUR 132 thousand (2021: EUR 295 thousand).

There are no contractual obligations to acquire, construct or develop investment property or to perform repairs, maintenance or improvement work.

Insurance

The Company has taken out several insurance policies to cover the risks to which the investment property is subject. It is considered that these policies sufficiently cover such risks.

NOTE 8 – LEASES AND OTHER SIMILAR TRANSACTIONS

The Company only has operating leases.

8.1 Lease expenses (as lessee)

In 2022 the Company's operating lease expenses amounted to EUR 272 thousand (2021: EUR 213 thousand).

The present value of the minimum lease payments is EUR 250 thousand and relates to lease terms ending within five years.

There were no changes in leases in 2022 as a result of the pandemic.

NOTE 9 – FINANCIAL INSTRUMENTS

9.1 General considerations

For measurement purposes, the Company classifies its financial instruments under the categories detailed in Note 4.5.

9.2 Information on the importance of financial instruments to the Company's financial position and its results

9.2.1 Categories of financial assets and liabilities

The Company's financial assets, excluding investments in equity instruments of Group companies and associates, at year-end 2022 and 2021 are as follows, according to the new classification introduced by the amendment to the Spanish Chart of Accounts in Royal Decree 1/2021 of 12 January:

(Amounts in thousands of euros)

Class	Long-term financial instruments						Short-term financial instruments					
	Equity instruments		Debt securities		Loans, derivatives and other		Equity instruments		Debt securities		Loans, derivatives and other	
Category	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Liabilities at fair value through profit or loss												
- Trading portfolio											422	1,089
- Others												
Financial assets at amortised cost or cost					70,075	20,079					776,844	712,950
Financial assets at cost												
Assets at fair value through equity		10,729										
Hedging derivatives					25,254	980					9,051	
TOTAL		10,729			95,329	21,059					786,317	714,039

No debts with Public Administrations are included either as of 31 December 2022 or in 2021

At 2022 and 2021 year-end the Group's financial liabilities were as follows:

(Amounts in thousands of euros)

Class	Long-term financial instruments						Short-term financial instruments					
	Bank borrowings		Bonds and other marketable securities		Derivatives and others		Bank borrowings		Bonds and other marketable securities		Derivatives and others	
Category	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Liabilities at amortised cost or cost	1,227,250	1,173,820	74,850	74,750	43	33,544	172,930	259,991	1,634	1,634	115,861	6,391
Liabilities at fair value through profit or loss												
- Trading portfolio											132	421
- Others												
Hedging derivatives						2,437						3,170
TOTAL	1,227,250	1,173,820	74,850	74,750	43	35,981	172,930	259,991	1,634	1,634	115,993	9,982

No debts with Public Administrations are included either as of 31 December 2022 or in 2021

9.2.2 Derivative financial instruments

The detail of the derivative financial instruments, classified by category, is as follows:

(Amounts in thousands of euros)

	2022		2021	
	Assets	Liabilities	Assets	Liabilities
Derivatives at fair value through profit or loss	422	132	1,089	421
Hedging derivatives	34,305		980	5,607
TOTAL	34,727	132	2,069	6,028

9.2.2.1 Determination of fair value

As set out in the accounting policies, the Company measures derivative financial instruments and financial assets at fair value through other comprehensive income.

Financial instruments recognised at fair value are classified, based on the valuation inputs, in the following hierarchies:

LEVEL 1: quoted prices in active markets
LEVEL 2: observable market variables other than quoted prices
LEVEL 3: variables not observable in the market

The Group's position at 31 December 2022 and 2021 was as follows:

(Amounts in thousands of euros)

	2022			2021		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Assets at fair value through equity	0	0	0	10,729		
Financial derivatives (assets)	0	34,727	0		2,069	
TOTAL	0	34,727	0	10,729	2,069	0

	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial derivatives (liabilities)	0	132	0		6,028	
TOTAL	0	132	0	0	6,028	0

No financial assets or financial liabilities measured at fair value were transferred between levels.

In the case of Level 2 financial instruments, the Comapny uses generally accepted valuation techniques that take into account spot and future exchange rates at the measurement date, forward interest rates, interest rate spreads and credit risk of both the Company and its counterparty, i.e. the financial institutions with which it operates.

9.2.2.2 Financial instruments at fair value through profit or loss

The Company has classified in this category the derivative financial instruments that do not qualify for hedge accounting. Specifically, the Company classifies as financial instruments at fair value through profit or loss the currency forwards arranged to hedge the flows of its financing transactions and other operations performed with Group companies in foreign currency.

Based on the Group's hedging strategy, none of the aforementioned foreign currency derivatives arranged at 31 December 2022 were considered to be a hedge, since they are all used to hedge positions of monetary assets and liabilities denominated in foreign currency. Any exchange differences that arise from such translation are recognised in the consolidated statement of profit or loss. Using these instruments ensures that any fluctuation

in exchange rates that could affect assets or liabilities denominated in foreign currency would be offset by a change of the same amount in the derivative arranged. Similarly, changes in the derivative are recognised in the same way in profit or loss, offsetting any changes that occur in foreign currency monetary items. As these derivatives do not qualify as cash flow hedging instruments for accounting purposes, the revaluation of these derivatives is recorded in the consolidated statement of profit or loss "Revaluation of financial instruments at fair value".
All of the Company's foreign currency purchase and sale forward contracts have a term of less than one year.

At 31 December 2022, the Company has contracts for foreign currency transactions amounting to EUR 204 million for foreign currency sales (2022: EUR 282 million). These foreign currency transactions enable the Company to hedge its foreign currency collection rights with Group companies in US dollars and Malaysian ringgits.

The detail of these foreign currency forward contracts, by currency and amount used, is as follows:

(Amounts in thousands)

	2022		2021	
	Assets	Liabilities	Assets	Liabilities
USD	200,000		300,000	
MYR	80,000		80,000	

At 31 December 2022, there were no bank borrowings in currencies other than the functional currency and, therefore, the Group no longer has any derivative financial instruments to hedge exposure to foreign currency risk or interest rate risk.

9.2.2.3 Hedging derivatives

At 31 December 2022 and 2021, the Company had only classified interest rate swaps as hedging derivatives.

In order to hedge the interest rate risk on a portion of its current and non-current bank borrowings, the Company had arranged the following interest rate swaps at 31 December 2022:

	Notional contracted	Amount outstanding	Expiration
From variable to fixed	EUR 30 million	EUR 15 million	2023
From variable to fixed	EUR 70 million	EUR 60 million	2028
From variable to fixed	EUR 100 million	EUR 70 million	2026
From variable to fixed	EUR 80 million	EUR 75 million	2028
From variable to fixed	EUR 260 million	EUR 260 million	2027

The average interest rate of euro-denominated financing hedged by an interest rate hedging derivative, totalling EUR 480 million at year-end, was 1.72% (2021: 1.14%). The credit spread on these borrowings is included in both cases.

By the end of 2022 and 2021 there was no interest rate hedge in a currency other than the euro.

An interest rate derivative was entered into with Caixabank in the first half of 2022 for a total amount of EUR 260 million and a final maturity date of 2027 to hedge the highly probable future cash flows related to the floating interest rate and any change in this interest rate that may occur before the maturity date. Furthermore, three interest rate swaps were cancelled, following the novation of the loan signed in 2020 with Caixabank for EUR 80 million and final maturity in 2025 and the cancellation of the two loans signed with Bankia and Caixabank for a total amount of EUR 160 million and EUR 50 million, respectively.

The detail at 31 December 2021 was as follows:

	Notional contracted	Amount outstanding	Expiration
From variable to fixed	EUR 30 million	EUR 25 million	2023
From variable to fixed	EUR 70 million	EUR 70 million	2028
From variable to fixed	EUR 50 million	EUR 20 million	2022
From variable to fixed	EUR 100 million	EUR 85 million	2026
From variable to fixed	EUR 50 million	EUR 50 million	2024
From variable to fixed	EUR 160 million	EUR 160 million	2024
From variable to fixed	EUR 80 million	EUR 80 million	2025
From variable to fixed	EUR 80 million	EUR 80 million	2028

The fair value of the interest rate swaps was based on the market value of equivalent derivative financial instruments at the reporting date and amounted to EUR 34,305 thousand (31 December 2021: EUR -4,628 thousand). These amounts are recognised in the Group's consolidated statement of financial position under the following line items:

(Amounts in thousands of euros)

	2022		2021	
	Assets	Liabilities	Assets	Liabilities
Non-current	25,254		980	2,437
Current	9,051			3,170
TOTAL	34,305		980	5,607

At 31 December 2022 and 2021, the derivatives arranged to hedge the interest rate risk qualified as cash flow hedging instruments and, therefore, the unrealised gains and losses in the amount of EUR 26,388 thousand on their measurement at fair value was recognised in the statement of recognised income and expense (2021: EUR 2,825 thousand, after tax).

In 2022 EUR 1,871 thousand, after tax, were transferred from the statement of recognised income and expense to profit or loss for the year (2021: EUR 2,720 thousand).

The Company has documented the effectiveness of the derivatives arranged to be recognised as hedging instruments, as detailed in Note 4.5.6. The hedging transactions were arranged for periods and amounts equal to the cash flows arising from the borrowings associated with each instrument. The financial instruments considered to be hedges were not ineffective at any point in 2022 or 2021.

9.2.3 Financial assets at amortised cost

Loans and receivables include trade and other receivables, such as loans granted to Group companies, which appear in the balance sheet under "Investments in Group Companies", excluding equity instruments, for a non-current amount of EUR 70,000 thousand (2021: EUR 20,000 thousand) and a current amount of EUR 573,945 miles (2021: EUR 432,945 thousand). Equity instruments in Group companies are not included, as they are measured at cost and are included in Note 9.2.7.

The increase in the amount of long-term loans granted to Group companies is due to the new loans granted this year to the companies Roldan S.A. and Inoxcenter S.L.U. In the short term, the increase is due to the new loan granted to VDM Metal Holding GmbH.

Note 15.2 includes the breakdown of the balances with Group companies.

The finance income earned in 2022 on these loans to the group companies amounted to EUR 13,843 thousand (2021: EUR 11,481 thousand). The increase in interest is mainly due to the increase in reference interest rates.

No interest was earned on impaired financial assets in 2022 or 2021.

No valuation adjustments were recognised for uncollectible receivables from related parties

9.2.4 Financial assets at fair value through equity

This item includes the shares that the Company does not intend to sell and that it had designated in this category on initial recognition.

At 31 December 2022 there were no financial assets at fair value through equity. At 31 December 2021, the amount recognised under this heading amounted to EUR 10,729 thousand and related to Acerinox, S.A.'s investment in the Japanese company Nippon Steel & Sumitomo Metal Corporation (Nippon), a company listed on the Tokyo Stock Exchange. This value matched its closing price. On 7 July of this year, the Group sold its shares in the aforementioned Japanese listed company for EUR 10,157 thousand. Acerinox, S.A. held 747,346 shares in this company, which represented a scantly significant percentage of ownership in the Japanese Group. The shares, prior to their sale, were valued at fair value. Losses in their sale amount to EUR 1,070 thousand and are included in the profit and loss account under "Imputation to profit or loss for the year of financial assets at fair value through equity". The revaluation, recognised in other comprehensive income in 2022 until its sale, resulted in a negative amount of EUR -571 thousand (2021: EUR 2,908 thousand). At 31 December 2021, the market value of Nippon's shares was JPY 1,879 per share).

On 17 June 2021, Nippon Steel Stainless Steel Corporation sold a 7.9% stake in Acerinox, half of its position, through an accelerated placement. On 1 October it sold the remaining 7.9% and completed its exit from Acerinox's capital, which means that this entity is no longer linked to the Group. By the close of 2020, Nippon's interest in Acerinox, S.A. amounted to 15.81%.

9.2.5 Accounts payable

The liabilities classified in this category by the Company (excluding bank borrowings and bonds issued, which are detailed in Note 9.2.6), include the amounts classified in the balance sheet under "Trade and Other Payables" as well as non-current and current payables to Group companies amounting to EUR 33,713 thousand (2021: EUR 33,500 thousand in non-current payables and EUR 74 thousand in current payables).

Payables to Group companies per company are detailed in Note 15.2.

During the year, the loan granted by the Inox Re Group company was transferred from long term to short term.

With regard to the average payment period, Law 18/2022 of 29 September on the establishment and growth of companies amended the related Law, in particular the additional provision 3, which establishes an information requirement and obliges all listed companies to explicitly indicate in their financial statements the average payment period for suppliers, the volume of money and the number of invoices paid in a period lower than the maximum established in the regulations on late payments, as well as the percentage of these invoices in the total number of invoices and in the total amount of money paid to their suppliers. The Group has taken this amendment into account.

The average payment period to domestic and foreign suppliers after deducting payments made to Group companies, is as follows:

	2022	2021
Average supplier payment period	45 days	52 days
Ration of operations settled	46 days	53 days
Ratio of transactions pending payment	37 days	23 days

(Amounts in thousands of euros)	Amount	Amount
Total payments made	22,845	18,215
Total outstanding payments	1,318	672

a) Monetary volume of invoices paid within a period equal to or less than the maximum established in the regulations on late payment (in thousands of euros)	14,393
Percentage share of total monetary payments to its suppliers	63%
b) Number of invoices paid within a period equal to or less than the maximum period established in the late payment regulations	4,195
Percentage share of total number of invoices of payments to its suppliers	84%

This table includes the payments made to any supplier, whether domestic or foreign.

9.2.6 Bank borrowings and bonds issued

The detail of the financial debt line items in the statements of financial position as at 31 December 2022 and 2021, including both bank borrowings and bonds issued by the Company in the year, is as follows:

(Amounts in thousands of euros)

	Non-current		Current	
	2022	2021	2022	2021
Bonds issued	74,850	74,750	1,634	1,634
Bank borrowings	1,227,250	1,173,820	172,930	259,991
Total financial debt	1,302,100	1,248,570	174,564	261,625

There is currently a private placement of EUR 75 million performed by Deutsche Bank AG, London Branch in July 2014, which has a term of ten years.

The detail of the long-term maturity of the outstanding debt at 31 December 2022 is as follows:

(Amounts in thousands of euros)

	2024	2025	2026	2027 and thereafter	TOTAL
Bank borrowings	156,033	458,601	385,354	227,262	1,227,250
Bonds issued	74,850				74,850
Total long-term debt	230,883	458,601	385,354	227,262	1,302,100

The detail of the long-term maturity of the outstanding debt at 2021 was as follows:

(Amounts in thousands of euros)

	2023	2024	2025	2026 and thereafter	TOTAL
Bank borrowings	242,746	269,663	368,216	293,195	1,173,820
Bonds issued		74,750			74,750
Total long-term debt	242,746	344,413	368,216	293,195	1,248,570

At 31 December 2022 and 2021, all bank borrowings and bond issues had been arranged in euros.

The changes in non-current and current payables relating to bank borrowings, excluding bonds issued, are as follows:

(Amounts in thousands of euros)

	Long-term bank borrowings		Short-term bank borrowings	
	2022	2021	2022	2021
Opening balance	1,173,820	1,243,063	259,991	194,860
Additions	430,000	355,000		
Interest	1,377	1,279	3,528	63
Debt repayment	-222,624	-173,351	-245,912	-187,103
Short-term transfers	-155,323	-252,171	155,323	252,171
Balance as of 31 December	1,227,250	1,173,820	172,930	259,991

The breakdown of the debt by interest rate is as follows:

(Amounts in thousands of euros)

	Non-current payables		Current liabilities	
	2022	2021	2022	2021
Fixed	635,831	558,727	34,534	58,184
Variable	666,269	689,843	140,030	203,441
TOTAL	1,302,100	1,248,570	174,564	261,625

Fixed-rate debt solely includes borrowings originally arranged at fixed rates (bank loans and private placements) and does not include borrowings for which interest rates have been fixed by arranging derivatives.

The fair value of fixed-rate bank borrowings and private placements was EUR 670,365 thousand at 31 December 2022, and their carrying amount was EUR 670,000 thousand. The fair value of these borrowings at 31 December 2021 amounted to EUR 618,200 thousand (carrying amount of EUR 616,911 thousand).

The interest rates of the floating-rate loans are reviewed at least once a year.

The average interest rate prevailing on non-current bank borrowings is 1.87% (2021: 1.09%).

The average interest rate prevailing on current bank borrowings is 2.58% (2021: 0.91%).

At 31 December 2022, accrued interest payable on bank borrowings amounted to EUR 5,000 thousand (2021: EUR 1,471 thousand). In addition, accrued interest payable on bonds issued amounted to EUR 1,634 thousand (2021: EUR 1,634 thousand).

The total borrowing costs calculated using the effective interest rate on loans at amortised cost amounted to EUR 1,377 thousand (2021: EUR 1,279 thousand).

The interest accrued in 2022 calculated using the effective interest method amounted to EUR 26,112 thousand (2021: EUR 23,343 thousand).

At 31 December 2022, the Company had arranged credit facilities with banks with a maximum available limit of EUR 1,962 million (2021: EUR 1,947 million), against which EUR 1,477 million had been drawn down at 31 December 2022 (2021: EUR 1,510 million). The fair value of the current borrowings is equal to their carrying amount.

Main financing transactions undertaken in the year

- Renegotiation of several existing loans with the aim of increasing the nominal amount, extending the maturity or improving the economic conditions. The total volume of these transactions amounted to EUR 365 million. These were concluded with Caixabank, Banco de Crédito Social Cooperativo and Bankinter.

- Signing of five new long-term loans: one of them at a fixed rate with Unicredit for a total amount of EUR 50 million and the other four at a variable interest rate with Abanca, Bankinter, Kutxabank and Banca March for a total amount of EUR 95 million.

- Signing of new credit facilities and renewal of existing credit facilities in euros and dollars to extend the maturity by another year, and, in some cases, also to increase the current nominal amount.

The Group's most significant financing transactions during 2021 were as follows:

- At the start of 2021 the conversion of two long-term loans with Caixabank and Banco Sabadell, arranged in 2020, sustainable loans in the amount of EUR 80 million each, to finance the purchase of the VDM Metals Group

- Signing of three new loans: a sustainable fixed-rate loan with BBVA for EUR 50 million maturing in 4 years; and two floating-rate loans, one with Bankinter for EUR 20 million maturing in 2025, and another with Banco Santander for EUR 50 million maturing in 2025.

- Renegotiation of five long-term loans improving the economic conditions and extending their final maturity for a total amount of EUR 325 million: EUR 50 million signed with Banca March and an institutional investor maturing in 2028; EUR 100 million with Banco Santander maturing in 2023; EUR 85 million with Kutxabank maturing in 2026; EUR 60 million with Unicaja maturing in 2028; and EUR 30 million with Grupo Caja Rural maturing in 2026. Of the above amounts, EUR 20 million were new debt in both the Kutxabank and Unicaja loans and EUR 10 million in the Grupo Caja Rural loan.

- Novation of two long-term loans signed by Acerinox S.A. with Banco Sabadell amounting to EUR 125 million and EUR 80 million, into a single sustainable loan of EUR 205 million, reducing the cost of financing and increasing the final maturity to 2026.

- Signing of a credit facility with Liberbank for EUR 10 million and maturing in 3 years, under the guarantee of the ICO, in order to provide the Acerinox Group with sufficient liquidity to mitigate the economic effects of COVID-19.

- In addition, in order to continue the Group's liquidity, all credit facilities in euros and dollars have been renewed, improving the financing conditions and extending the term for an additional year

Regarding debt renegotiations, the Group assessed the significance of the modifications made to determine whether they were substantially different, in accordance with the criteria established in the accounting policy defined in Note 4.5.3, and recognised the effects of certain of the new agreements as an extinguishment and the simultaneous recognition of a new loan. During the year, the amount of fees and commissions recognised in income in this connection amounted to EUR 557 thousand (2021: EUR 126 thousand).

Non-current borrowings subject to achievement of ratios

a) Ratios linked to earnings

Currently, no loan agreement entered into by Acerinox, S.A. contains covenants linked to ratios that take into account the Group's results.

b) Ratios linked to equity

The EUR 260 million loan novated in the first half of 2022 with Caixabank, together with the two loans signed in the first half of 2020 for the acquisition of VDM with BBVA and ICO for EUR 80 million each, are conditional upon compliance with the financial ratios relating to the maintenance of minimum levels of equity at the consolidated level.

In addition to these three loans, there are three other financing contracts conditional on compliance with financial ratios also referring to the maintenance of minimum levels of own funds at consolidated level. The loan arranged in March 2017 and novated in December 2021 with Banca March and an institutional investor for EUR 50 million and assigned to a Securitisation Fund upon arrangement, the loan arranged with the European Investment Bank ("EIB") in December 2017 for EUR 70 million and the loan arranged in March 2018 with the Instituto de Crédito Oficial ("ICO") for EUR 100 million. This type of ratio is standard market practice in financing with these maturities, as the loan arranged with Banca March had an initial term of seven years, the EIB loan of ten years and the ICO loan of eight years.

At 2022 year-end (as in 2021) Acerinox, S.A. has achieved all the ratios required under the aforementioned agreements.

9.2.7 Investments in Group companies and associates

At 31 December 2022, the Company's investments in Group companies were as follows:

	2022					
	OWNERSHIP INTEREST					
FULLY CONSOLIDATED COMPANIES	COUNTRY	Value of investment (thousands of Euros)	% direct ownership interest	% indirect ownership interest	Holder of ownership interest	AUDITORS
ACERINOX (SCHWEIZ) A.G.	Mellingen - Switzerland	327	100%		ACERINOX S.A.	PWC
ACERINOX ARGENTINA S.A.	Buenos Aires - Argentina	598	90%	10%	ACERINOX S.A.	Chinen, Morbelli y Asociados
ACERINOX AUSTRALASIA PTY. LTD.	Sidney - Australia	385	100%		ACERINOX S.A.	
ACERINOX BENELUX S.A. - N.V.	Brussels - Belgium	209	99.98%	0.02%	ACERINOX S.A.	PWC
ACX DO BRASIL REPRESENTAÇOES, LTDA	São Paulo - Brazil	373	100%	0.001%	ACERINOX S.A.	
ACERINOX CHILE, S.A.	Santiago de Chile - Chile	7,545	100%		ACERINOX S.A.	PWC
ACERINOX COLOMBIA S.A.S	Bogotá D.C. - Colombia	68	100%		ACERINOX S.A.	
ACERINOX DEUTSCHLAND GMBH	Langenfeld - Germany	45,496	100%		ACERINOX S.A.	PWC
ACERINOX EUROPA, S.A.U	Algeciras - Spain	341,437	100%		ACERINOX S.A.	PWC
ACERINOX FRANCE S.A.S	Paris - France	18,060	99.98%	0.02%	ACERINOX S.A.	PWC
ACERINOX INDIA PVT LTD	Mumbai - India	155	100%		ACERINOX S.A.	ISK & Associates
ACERINOX ITALIA S.R.L.	Milan - Italy	78,844	100%		ACERINOX S.A.	Collegio Sindicale - Studio Revisori Associatti
ACERINOX METAL SANAYII VE TICARET L.S.	Gümüşsuyu / Beyoğlu - Turkey	150	100%		ACERINOX S.A.	
ACERINOX MIDDLE EAST DMCC (DUBAI)	Dubai - United Arab Emirates	10	100%		ACERINOX S.A.	HLB Hamt
ACERINOX PACIFIC LTD.	Wan Chai - Hong Kong	7,467	100%		ACERINOX S.A.	PWC
ACERINOX POLSKA, SP Z.O.O	Warsaw - Poland	25,174	99.98%	0.02%	ACERINOX S.A.	PWC
ACERINOX RUSSIA LLC	Saint Petersburg - Russia	100	100%		ACERINOX S.A.	
ACERINOX SCANDINAVIA AB	Malmö - Sweden	31,909	100%		ACERINOX S.A.	PWC
ACERINOX S.C. MALAYSIA SDN. BHD	Johor - Malaysia	19,476	100%		ACERINOX S.A.	PWC
ACERINOX SHANGAI CO., LTD.	Shanghai - China	1,620	100%		ACERINOX S.A.	Shanghai Shenzhou Dalong

FULLY CONSOLIDATED COMPANIES	COUNTRY	2022 OWNERSHIP INTEREST Value of investment (thousands of Euros)	% direct ownership interest	% indirect ownership interest	Holder of ownership interest	AUDITORS
ACERINOX (SEA), PTE LTD.	Singapore - Singapore	193	100%		ACERINOX S.A.	PWC
ACERINOX U.K, LTD.	Birmingham - United Kingdom	28,494	100%		ACERINOX S.A.	PWC
ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	Trofa - Portugal	15,828	100%		ACERINOX S.A.	PWC
BAHRU STAINLESS, SDN. BHD	Johor - Malaysia	96,481	98.81%		ACERINOX S.A.	PWC
COLUMBUS STAINLESS (PTY) LTD.	Middelburg - South Africa	263,556	76%		ACERINOX S.A.	PWC
CORPORACIÓN ACERINOX PERU S.A.C	Lima - Peru	314	100%		ACERINOX S.A.	
INOX RE, S.A.	Luxembourg	1,225	100%		ACERINOX S.A.	PWC
INOXCENTER CANARIAS, S.A.U	Telde (Gran Canaria) - Spain			100%	INOXCENTER	PWC
INOXCENTER, S.L.U	Barcelona - Spain	17,758	100%		ACERINOX S.A.	PWC
INOXFIL S.A.	Igualada (Barcelona) - Spain			100%	ROLDAN S.A	PWC
INOXIDABLES DE EUSKADI S.A.U.	Vitoria - Spain			100%	ACERINOX EUROPA, S.A.U	PWC
INOXPLATE - COMÉRCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPESSOAL, LDA.	Trofa - Portugal			100%	ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	
METALINOX BILBAO, S.A.U	Galdácano (Vizcaya) - Spain	3,718	100%		ACERINOX S.A.	PWC
NORTH AMERICAN STAINLESS INC.	Kentucky - USA	546,041	100%		ACERINOX S.A.	PWC
NORTH AMERICAN STAINLESS CANADA, INC	Canada			100%	NORTH AMERICAN STAINLESS INC.	PWC
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	Apodaca - N.L.Mexico			100%	NORTH AMERICAN STAINLESS INC.	PWC
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS LTD.	Kentucky - USA	15	100%		ACERINOX S.A.	
ROLDAN S.A.	Ponferrada - Spain	17,405	99.77%		ACERINOX S.A.	PWC
VDM METALS HOLDING GMBH	Werdohl - Germany	313,315	100%		ACERINOX S.A.	PWC
VDM METALS INTERNATIONAL GMBH	Werdohl - Germany			100%	VDM METALS HOLDING, GMBH.	PWC
VDM METALS GMBH	Werdohl - Germany			100%	VDM METALS HOLDING, GMBH.	PWC
VDM (SHANGHAI) HIGH PERFORMANCE METALS TRAD. CO. LTD.	Shanghai - China			100%	VDM METALS, GMBH.	Pan-China Certified Public Accounts
VDM HIGH PERFORMANCE METALS NANTONG CO. LTD.	Nantong - China			100%	VDM METALS INTERNATIONAL GMBH	Pan-China Certified Public Accounts
VDM METALS AUSTRALIA PTY. LTD.	Mulgrave - Australia			100%	VDM METALS, GMBH.	
VDM METALS AUSTRIA G.M.B.H.	Brunn am Gebirge - Austria			100%	VDM METALS, GMBH.	
VDM METALS BENELUX B.V.	Zwijndrecht - Belgium			100%	VDM METALS, GMBH.	BDO
VDM METALS CANADA LTD.	Vaughan - Canada			100%	VDM METALS, GMBH.	
VDM METALS DE MEXICO S.A. DE C.V.	Naucalpan de Juarez - Mexico			100%	VDM METALS, GMBH.	Grant Thornton
VDM METALS FRANCE S.A.S.	Saint-Priest - France			100%	VDM METALS, GMBH.	
VDM UNTERSTÜTZUNGSKASSE GMBH	Werdohl - Germany			100%	VDM METALS, GMBH.	
VDM METALS ITALIA S.R.L.	Sesto San Giovanni - Italy			100%	VDM METALS, GMBH.	
VDM METALS JAPAN K.K.	Tokyo - Japan			100%	VDM METALS, GMBH.	
VDM METALS KOREA CO. LTD.	Seoul - Korea			100%	VDM METALS, GMBH.	
VDM METALS UK LTD.	Claygate-Esher - UK			100%	VDM METALS, GMBH.	BDO

	2022					
	OWNERSHIP INTEREST					
FULLY CONSOLIDATED COMPANIES	COUNTRY	Value of investment (thousands of Euros)	% direct ownership interest	% indirect ownership interest	Holder of ownership interest	AUDITORS
VDM METALS USA LLC	Florham Park - USA			100%	VDM METALS, GMBH.	PWC
TOTAL		1,883,746		-		

At 31 December 2021, the Company's investments in Group companies were as follows:

	2021					
	OWNERSHIP INTEREST					
FULLY CONSOLIDATED COMPANIES	COUNTRY	Value of investment (thousands of Euros)	% direct ownership interest	% indirect ownership interest	Holder of ownership interest	AUDITORS
ACERINOX (SCHWEIZ) A.G.	Mellingen - Switzerland	327	100%		ACERINOX S.A.	PWC
ACERINOX ARGENTINA S.A.	Buenos Aires - Argentina	598	90%	10%	ACERINOX S.A.	Chinen, Morbelli y Asociados
ACERINOX AUSTRALASIA PTY. LTD.	Sidney - Australia	385	100%		ACERINOX S.A.	
ACERINOX BENELUX S.A. - N.V.	Brussels - Belgium	209	99.98%	0.02%	ACERINOX S.A.	PWC
ACX DO BRASIL REPRESENTAÇOES, LTDA	São Paulo - Brazil	373	100%	0.001%	ACERINOX S.A.	
ACERINOX CHILE, S.A.	Santiago de Chile - Chile	7,545	100%		ACERINOX S.A.	PWC
ACERINOX COLOMBIA S.A.S	Bogotá D.C. - Colombia	68	100%		ACERINOX S.A.	
ACERINOX DEUTSCHLAND GMBH	Langenfeld - Germany	45,496	100%		ACERINOX S.A.	PWC
ACERINOX EUROPA, S.A.U	Algeciras - Spain	341,409	100%		ACERINOX S.A.	PWC
ACERINOX FRANCE S.A.S	Paris - France	18,060	99.98%	0.02%	ACERINOX S.A.	PWC
ACERINOX INDIA PVT LTD	Mumbai - India	155	100%		ACERINOX S.A.	ISK & Associates
ACERINOX ITALIA S.R.L.	Milan - Italy	78,844	100%		ACERINOX S.A.	Collegio Sindicale - Studio Revisori Associatti
ACERINOX METAL SANAYII VE TICARET L.S.	Gümüşsuyu / Beyoğlu - Turkey	150	99.73%	0.27%	ACERINOX S.A.	
ACERINOX MIDDLE EAST DMCC (DUBAI)	Dubai - United Arab Emirates	10	100%		ACERINOX S.A.	Al Sharid Auditing and Management Consultancy
ACERINOX PACIFIC LTD.	Wan Chai - Hong Kong	7,467	100%		ACERINOX S.A.	PWC
ACERINOX POLSKA, SP Z.O.O	Warsaw - Poland	25,174	99.98%	0.02%	ACERINOX S.A.	PWC
ACERINOX RUSSIA LLC	Saint Petersburg - Russia	100	100%		ACERINOX S.A.	
ACERINOX SCANDINAVIA AB	Malmö - Sweden	31,909	100%		ACERINOX S.A.	PWC
ACERINOX S.C. MALAYSIA SDN. BHD	Johor - Malaysia	19,476	100%		ACERINOX S.A.	PWC
ACERINOX SHANGAI CO., LTD.	Shanghai - China	1,620	100%		ACERINOX S.A.	Shanghai Shenzhou Dalong
ACERINOX (SEA), PTE LTD.	Singapore - Singapore	193	100%		ACERINOX S.A.	PWC
ACERINOX U.K, LTD.	Birmingham - United Kingdom	28,469	100%		ACERINOX S.A.	PWC
ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	Trofa - Portugal	15,828	100%		ACERINOX S.A.	PWC
BAHRU STAINLESS, SDN. BHD	Johor - Malaysia	293,607	98.81%		ACERINOX S.A.	PWC
COLUMBUS STAINLESS (PTY) LTD.	Middelburg - South Africa	205,140	76%		ACERINOX S.A.	PWC
CORPORACIÓN ACERINOX PERU S.A.C	Lima - Peru	314	100%		ACERINOX S.A.	
INOX RE, S.A.	Luxembourg	1,225	100%		ACERINOX S.A.	PWC
INOXCENTER CANARIAS, S.A.U	Telde (Gran Canaria) - Spain			100%	INOXCENTER	PWC
INOXCENTER, S.L.U	Barcelona - Spain	17,758	100%		ACERINOX S.A.	PWC

	2021					
	OWNERSHIP INTEREST					
FULLY CONSOLIDATED COMPANIES	COUNTRY	Value of investment (thousands of Euros)	% direct ownership interest	% indirect ownership interest	Holder of ownership interest	AUDITORS
INOXFIL S.A.	Igualada (Barcelona) - Spain			100%	ROLDAN S.A	PWC
INOXIDABLES DE EUSKADI S.A.U.	Vitoria - Spain			100%	ACERINOX EUROPA, S.A.U	PWC
INOXPLATE - COMÉRCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPESSOAL, LDA.	Trofa - Portugal			100%	ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	
METALINOX BILBAO, S.A.U	Galdácano (Vizcaya) - Spain	3,718	100%		ACERINOX S.A.	PWC
NORTH AMERICAN STAINLESS INC.	Kentucky - USA	545,778	100%		ACERINOX S.A.	PWC
NORTH AMERICAN STAINLESS CANADA, INC	Canada			100%	NORTH AMERICAN STAINLESS INC.	PWC
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	Apodaca - N.L.Mexico			100%	NORTH AMERICAN STAINLESS INC.	PWC
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS LTD.	Kentucky - USA	15	100%		ACERINOX S.A.	
ROLDAN S.A.	Ponferrada - Spain	17,405	99.77%		ACERINOX S.A.	PWC
VDM METALS HOLDING GMBH	Werdohl - Germany	313,315	100%		ACERINOX S.A.	PWC
VDM METALS INTERNATIONAL GMBH	Werdohl - Germany			100%	VDM METALS HOLDING, GMBH.	PWC
VDM METALS GMBH	Werdohl - Germany			100%	VDM METALS HOLDING, GMBH.	PWC
VDM (SHANGHAI) HIGH PERFORMANCE METALS TRAD. CO. LTD.	Shanghai - China			100%	VDM METALS, GMBH.	Pan-China Certified Public Accounts
VDM HIGH PERFORMANCE METALS NANTONG CO. LTD.	Nantong - China			100%	VDM METALS INTERNATIONAL GMBH	Pan-China Certified Public Accounts
VDM METALS AUSTRALIA PTY. LTD.	Mulgrave - Australia			100%	VDM METALS, GMBH.	
VDM METALS AUSTRIA G.M.B.H.	Brunn am Gebirge - Austria			100%	VDM METALS, GMBH.	
VDM METALS BENELUX B.V.	Zwijndrecht - Belgium			100%	VDM METALS, GMBH.	BDO
VDM METALS CANADA LTD.	Vaughan - Canada			100%	VDM METALS, GMBH.	
VDM METALS DE MEXICO S.A. DE C.V.	Naucalpan de Juarez - Mexico			100%	VDM METALS, GMBH.	Grant Thornton
VDM METALS FRANCE S.A.S.	Saint-Priest - France			100%	VDM METALS, GMBH.	
VDM UNTERSTÜTZUNGSKASSE GMBH	Werdohl - Germany			100%	VDM METALS, GMBH.	
VDM METALS ITALIA S.R.L.	Sesto San Giovanni - Italy			100%	VDM METALS, GMBH.	
VDM METALS JAPAN K.K.	Tokyo - Japan			100%	VDM METALS, GMBH.	
VDM METALS KOREA CO. LTD.	Seoul - Korea			100%	VDM METALS, GMBH.	
VDM METALS UK LTD.	Claygate-Esher - UK			100%	VDM METALS, GMBH.	BDO
VDM METALS USA LLC	Florham Park - USA			100%	VDM METALS, GMBH.	PWC
TOTAL		2,022,140		-		

At 31 December 2022 and 2021, the Company's investments in associates were as follows:

ASSOCIATES	OWNERSHIP INTEREST				
	COUNTRY	Investment value	% direct ownership interest	% indirect ownership interest	Theoretical carrying value direct ownership interest
BETINOKS	Turkey		25%		
MOL Katalysatortechnik GmbH	Germany			20.45%	
Evidal Schmöle Verwaltungsgesellschaft mbH	Germany			50%	

At 31 December 2021, Acerinox, S.A. held a 25% ownership interest in the Turkish company.

The activities of the Group companies are as follows:

- Acerinox, S.A.: holding company of the Acerinox Group. As a holding company, it approves and monitors the strategic business areas. It also provides a range of corporate services, including legal, accounting and advisory services to all Group companies. It also handles the management and administration of financing within the Group.
- Acerinox Europa, S.A.U.: manufacture and marketing of flat stainless steel products.
- North American Stainless, Inc.: manufacture and marketing of flat and long stainless steel products.
- Columbus Stainless (Pty) Ltd.: manufacture and marketing of flat stainless steel products.
- Bahru Stainless, Sdn. Bhd.: cold rolling and marketing of flat stainless steel products.
- Roldan, S.A.: manufacture and marketing of long stainless steel products.
- Inoxfil, S.A.: manufacture and marketing of stainless steel wire.
- VDM Holding Metals GmbH: holding company of the group of companies that make up VDM Metals.
- VDM Metals International GmbH: wholly owned by VDM Holding Metals GmbH, procures the raw materials required for the production of high-performance alloys, markets the finished products and centralises the VDM Group's research and development by directly managing and administering the business and outsourcing production to another entity from the subgroup. The company also has a quality assurance department.
- VDM Metals GmbH is the entity which owns the production plants and is responsible for transforming raw materials into high-performance alloys.
- Inox Re, S.A.: reinsurance company.
- Inoxplate, Comercio de productos de Aço Inoxidávei, Unipessoal Lda: owner of the industrial building in which the Group company in Portugal -Acerol, Comércio e indústria de Aços inoxidáveis- carries out its operating activities, for the lease of which it receives income.
- North American Stainless Financial Investment, Inc.: provision of foreign trade advisory services.
- The rest of the companies, which are direct investees of either Acerinox, S.A. or the VDM subgroup, engage in the marketing of stainless steel products or high-performance alloys.

None of the Group companies and associates are officially listed.

Changes in investments in Group companies and associates

The changes in investments in Group companies and associates in 2022 and 2021 were as follows:

(Amounts in thousands of euros)

Company		2022	2021
Capital increases/Reductions			
	Bahru Stainless Sdn Bhd.		293,535
Other contributions			
	Bahru Stainless Sdn Bhd.	72	72
	North American Stainless	263	305
	Columbus Stainless	124	140
	Acerinox Europa, S.A.U.	28	28
	Acerinox, U.K.	25	25
Total		512	294,105

<u>Changes in 2022</u>

The only changes that have taken place during the year and which are recognised as "other contributions" relate to the long-term remuneration plan for executives through shares in Acerinox, S.A., which is explained in Note 14.3.

<u>Changes in 2021</u>

The most significant capital increase carried out the past year was the capital increase in the Malaysian company Bahru Stainless, Sdn. Bhd.

At its meeting held on 15 December 2020, the Board of Directors of Acerinox, S.A. gave authorisation to carry out a capital increase at Bahru Stainless, with no cash contribution, through the capitalisation of USD 349.5 million from the loan granted by Acerinox, S.A. to its subsidiary. Acerinox, S.A.'s ownership interest in Bahru Stainless was 98.15% prior to the capital increase.

On 2 April 2021, Bahru's Annual General Meeting was held and approved the capital increase. The non-controlling shareholder has decided not to participate in the capital increase, which has diluted its stake to 1.1874%. The new capital stock of Bahru Stainless, Sdn. Bhd. was registered on 14 April.

Acerinox, S.A. recognised an increase in its investments in Group companies amounting to EUR 293,535 thousand, equal to the fair value of the capitalised loan, and which did not differ significantly from its carrying amount at that date.

Other contributions

"Other contributions" also relates to the obligation to deliver own equity instruments arising from the multi-year remuneration or long-term incentive (LTI) plan approved for the CEO and executives of the Acerinox Group. The details of this plan are included in Note 14.3.

Equity position

The equity position of the Group companies at 31 December 2022, obtained from the separate annual accounts furnished by the respective companies, and converted into euro using year-end exchange rates, is as follows:

(Amounts in thousands of euros)

GROUP COMPANIES	Capital	Shares of the Parent	Reserves and interim dividend	Other equity instruments	Operating income	Gains (losses) from continued activities	Total shareholders' equity
ACERINOX (SCHWEIZ) A.G.	711		2,044		163	102	2,857
ACERINOX ARGENTINA S.A.	4		2,029		2,095	283	2,316
ACERINOX AUSTRALASIA PTY. LTD.	382		99		-29	-29	452
ACERINOX BENELUX S.A. - N.V.	211		665		862	641	1,517
ACX DO BRASIL REPRESENTAÇOES, LTDA	121		263		-23	-12	372
ACERINOX CHILE, S.A.	4,663		2,848		1,989	914	8,425
ACERINOX COLOMBIA S.A.S	35		305		-190	-122	218
ACERINOX DEUTSCHLAND GMBH	45,000		-17,944		1,931	1,385	28,441
ACERINOX EUROPA, S.A.U	62,056		221,876	56	-70,259	-60,728	223,204
ACERINOX FRANCE S.A.S	265		3,432		760	722	4,419
ACERINOX INDIA PVT LTD	116		-70		166	165	211
ACERINOX ITALIA S.R.L.	40,000		4,616		1,729	783	45,399
ACERINOX METAL SANAYII VE TICARET LIMITED SIRKETI	20		606		149	389	1,015
ACERINOX MIDDLE EAST DMCC (DUBAI)	13		1,003		-92	-95	921
ACERINOX PACIFIC LTD.	11,536		-10,808		-45	-56	672
ACERINOX POLSKA, SP Z.O.O	21,364		4,135		2,500	1,416	26,915
ACERINOX RUSSIA LLC.	54		560		-104	-207	407
ACERINOX SCANDINAVIA AB	25,625		-1,272		2,611	1,056	25,409
ACERINOX SC MALAYSIA SDN. BHD	33,203		-36,033		2,627	1,677	-1,153
ACERINOX SHANGAI CO., LTD.	2,627		1,035		-15	-105	3,557
ACERINOX (SEA), PTE LTD.	264		993		56	-13	1,244
ACERINOX U.K, LTD.	22,598		4,609	48	699	300	27,507
ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	15,000		760		502	298	16,058
BAHRU STAINLESS, SDN. BHD	997,944		-678,101	206	-220,941	-221,553	98,290
COLUMBUS STAINLESS (PTY) LTD.	138,132		94,925	412	102,221	67,645	300,702
CORPORACIÓN ACERINOX PERU S.A.C	239		-157		-40	-54	28
INOX RE, S.A.	1,225		762		-508		1,987
INOXCENTER CANARIAS, S.A.U	270		1,071			1	1,342
INOXCENTER, S.L.U.	492		5,177		1,450	252	5,921
INOXFIL S.A.	4,812		-509		3,177	2,586	6,889
INOXIDABLES DE EUSKADI S.A.U.	2,705		5,823		18	-69	8,459
INOXPLATE - COMÉRCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPESSOAL, LDA.	10,193		2,077		147	114	12,384
METALINOX BILBAO, S.A.U	72		20,184			2	20,258
NORTH AMERICAN STAINLESS INC.	544,923	-25	534,564	1,045	879,569	692,320	1,771,807
NORTH AMERICAN STAINLESS CANADA, INC	5,625		44,703		7,867	5,878	56,206
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS LTD.	19		-10,126		10,126	10,126	19
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	23,439		18,324		6,175	6,179	47,942
ROLDAN S.A.	11,936		43,115		10,015	7,389	62,440
VDM METALS GROUP	25		245,847		101,540	48,927	294,799

The equity position of the Group companies at 31 December 2021, obtained from the separate annual accounts furnished by the respective companies, and converted into euro using year-end exchange rates, is as follows:

(Amounts in thousands of euros)

GROUP COMPANIES	Capital	Reserves and interim dividend	Other equity instruments	Operating income	Gains (losses) from continued activities	Total shareholders' equity
ACERINOX (SCHWEIZ) A.G.	678	1,805		143	143	2,626
ACERINOX ARGENTINA S.A.	6	1,060		1,306	648	1,714
ACERINOX AUSTRALASIA PTY. LTD.	384	199		-101	-99	484
ACERINOX BENELUX S.A. - N.V.	221	115		750	551	877
ACX DO BRASIL REPRESENTAÇOES, LTDA	108	223		12	22	343
ACERINOX CHILE, S.A.	4,397	832		2,413	1,852	7,081
ACERINOX COLOMBIA S.A.S	39	419		-122	-72	386
ACERINOX DEUTSCHLAND GMBH	45,000	-20,286		3,499	2,343	27,057
ACERINOX EUROPA, S.A.U	62,028	194,079	28	37,329	27,797	283,904
ACERINOX FRANCE S.A.S	265	6,108		5,997	5,323	11,696
ACERINOX INDIA PVT LTD	122	-20		-50	-53	49
ACERINOX ITALIA S.R.L.	40,000	3,740		1,358	877	44,617
ACERINOX METAL SANAYII VE TICARET LIMITED SIRKETI	26	661		290	686	1,373
ACERINOX MIDDLE EAST DMCC (DUBAI)	12	994		-80	-80	926
ACERINOX PACIFIC LTD.	10,861	-9,811		-361	-364	686
ACERINOX POLSKA, SP Z.O.O	22,754	3,193		1,253	1,017	25,964
ACERINOX RUSSIA LLC.	49	554		-10	-48	555
ACERINOX SCANDINAVIA AB	27,804	-2,992		1,537	1,608	26,420
ACERINOX SC MALAYSIA SDN. BHD	33,062	-37,157		2,009	1,277	-2,818
ACERINOX SHANGAI CO., LTD.	2,687	1,015		569	442	4,144
ACERINOX (SEA), PTE LTD.	247	1,189		-190	-259	1,177
ACERINOX U.K, LTD.	23,826	4,566	25	736	299	28,691
ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	15,000	-194		975	954	15,760
BAHRU STAINLESS, SDN. BHD	939,731	-637,634	194	4,477	-952	301,145
COLUMBUS STAINLESS (PTY) LTD.	138,408	40,063	285	81,812	55,023	233,494
CORPORACIÓN ACERINOX PERU S.A.C	224	-155		31	15	74
INOX RE, S.A.	1,225	762		-238		1,987
INOXCENTER CANARIAS, S.A.U	270	948		163	123	1,341
INOXCENTER, S.L.U.	492	2,669		3,393	2,509	5,670
INOXFIL S.A.	4,812	-2,245		2,284	1,636	4,303
INOXIDABLES DE EUSKADI S.A.U.	2,705	4,783		1,413	1,041	8,529
INOXPLATE - COMÉRCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPESSOAL, LDA.	10,693	1,961		147	116	12,770
METALINOX BILBAO, S.A.U	72	18,628		2,046	1,557	20,257
NORTH AMERICAN STAINLESS INC.	513,168	455,243	722	628,493	483,373	1,451,784
NORTH AMERICAN STAINLESS CANADA, INC	5,298	42,279		6,360	6,197	53,774
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS LTD.	18	-9,536		9,536	9,536	18
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	22,073	13,148		5,666	4,108	39,329
ROLDAN S.A.	11,936	33,228		12,844	9,897	55,051
VDM METALS GROUP	25	185,204		38,393	18,245	203,474

Impairment losses

At least at year-end, the Company assesses whether there are indications of impairment of its investments and, where appropriate, determines whether to make value adjustments when there is objective evidence that the carrying amount of an investment will not be recoverable.

Since Acerinox, S.A. is a holding company, its assets comprise mainly ownership interests in, and balances with, Group companies. The Company assesses whether there is objective evidence of impairment on a yearly basis. Such evidence is considered to exist when the carrying amount of the investee is lower than the value of the interest in Acerinox, S.A.'s accounts, taking into account the latest budget approved, or when the investee shows continuous losses for several years, in addition to deviating significantly from the budgets prepared by management or in the case of having impairment in previous years. In such cases, the Company calculates the recoverable amount of the investment, understood to be the higher of fair value less costs of disposal and the present value of the future cash flows from the investment.

In 2022 there were indications of impairment at Bahru Stainless, Sdn. Bhd, Acerinox Europa S.A.U., Acerinox SC Malasia, Sdn. Bhd. and Acerinox Pacific, Ltd. In addition, an analysis has been carried out in Columbus Stainless Ltd, to review the impairments incurred in previous years. The key assumptions used are detailed below:

	2022				2021			
Euros million	WACC before tax	WACC after tax	EBIT (1)	g	WACC before tax	WACC after tax	EBIT (1)	g
Bahru Stainless, Sdn. Bhd (2)	----	12.8%	-1.9%	----	----	9.8%-10%	1.8%-2%	----
Acerinox Europa, S.A.U.	10.8%	8.2%	5.1%	2.3%	----	----	----	----
Columbus Stainless, Pty. Ltd.	19.7%	14.7%	5.1%	4.7%	19.9%	13.5%	5.8%	4.2%
Acerinox SC Malasia, Sdn. Bhd.	10.5%	9.4%	3.7%	2.2%	10.3%	8.9%	3.2%	2.0%
Acerinox Pacific, Ltd. (3)	9.1%	8.0%	----	2.2%	8.5%	7.4%	----	2.0%

(1) Average EBIT margin for the budgeted five-year period, except in Bahru Stainless, where it is the average for the finite period to 2046. EBIT is defined as profit or loss from operations and expressed as a margin or percentage of revenue.

(2) The WACC after tax is used to calculate the recoverable amount of the fair value (IAS 13).

(3) For Acerinox Pacific, Ltd, being a commissioning entity, the EBIT/Sales ratio is not an appropriate measure of

To determine the present value of the cash flows, the estimate of future cash flows that the entity expects to obtain from the investment, calculated using a discount rate, i.e. the weighted average cost of capital (WACC), was taken in account.

The estimation of future cash flows was based on reasonable and well-founded assumptions. These assumptions consisted mainly of:

a) Five-year cash flow projections approved by management.

These projections reflect the financial and macroeconomic circumstances and those of the stainless steel market itself, adapted to the specific operating environment of each entity analysed. Consequently, the various parameters used (expected growth, use of installed production capacity, prices, working capital items, etc.) are projected on the basis of historical figures, particularly those from the previous year, and the targets set by management.

The projections reflect these circumstances each year, in addition to the best estimates performed by management. In this connection, other significant assumptions such as exchange rates and raw material prices are extrapolated using highly conservative criteria, always tied to the most recent values recorded in the pertinent markets.

The factories prepare the budget taking the 2023 budget as a starting point and maintaining the bases for calculation established therein. Each factory estimates the performance of its domestic and export production and sales, individual product margins and prices, based at all times on the cost structure established in the 2023 budget and on the guidelines set out in the approved Strategic Plan.

The budgets for the other commercial subsidiaries are also prepared on the basis of the 2023 budget. The projection for the remaining years is performed by maintaining the estimated margins, variable costs per tonne and fixed costs, and by increasing the tonnes sold according to each supplier's budget (Group factories). In any event, the estimates of the subsidiaries are reviewed in accordance with management's expected sales targets for each market.

b) Projected cash flows are extrapolated into the future using a growth rate that is consistent with the country and the main markets in which the entities mainly operate.

The Company is confident that the flows to perpetuity will materialise, mainly in terms of its use of production capacity and margins.

c) The cash flows are discounted to present value at a discount rate that represents a risk-free rate of return, adjusted by the risks specific to the asset which any market participant would consider when investing in an asset that generates cash flows involving similar amounts and timing and a similar risk profile. In this regard, the discount rate was estimated as the weighted average cost of capital (WACC) for each investment.

The interest rates of the sovereign debt of each country in which the subsidiary operates, and a capital structure, market risk premiums and ratios of similar companies are considered in order to determine this discount rate.

The aforementioned process was generally used for all the companies, except for Bahru Stainless, Sdn. Bhd. The Company decided to request the assistance of an independent valuation firm and, together with this firm, adapted the main assumptions of the budgeted cash flows and the impairment test calculations from the perspective of a market participant, as detailed below. In the other analyses conducted, the recoverable amount of the investments was lower than the carrying amount and, accordingly, it was necessary to recognise an impairment loss in the amount of EUR 197,197 thousand.

In the case of Columbus Stainless, Pty. Ltd. an impairment loss of EUR 58,291 thousand has been reversed on the value of its investment as explained below.

In the other analyses conducted, the recoverable amount of the investments of Acerinox Europa, S.A.U. was higher than the carrying amount and, accordingly, it was not necessary to recognise any impairment losses.

In the other two trading subsidiaries, Acerinox SC Malaysia, Sdn. Bhd. and Acerinox Pacific, Ltd, it has also not been necessary to make any impairment or reversal of impairments made in previous years.

The following are the impairment tests carried out at Bahru Stainless Sdn. Bhd, Acerinox Europa S.A.U. and Columbus Stainless Ltd.

<u>Bahru Stainless, Sdn. Bhd.</u>

This is the Acerinox Group's most recently built factory, located in Johor, Malaysia. It operates mainly in markets of the ASEAN region, where there is a significant price differential with other international markets due largely to the overcapacity still existing in the Chinese market and the resulting pressure on the international market, particularly in the Asia-Pacific region. In addition, the various ASEAN countries, and Asian countries in general, reacted to Chinese overcapacity by instituting anti-dumping or protectionist measures in their local markets.

The two halves of the year were markedly different for the stainless steel market. The first was characterised by a very positive market situation, following the trend of the previous year. In contrast, the second half of the year was affected by high inventories at retailers caused by heavy imports. These, attracted by the "unreal" situation of shortages, came with the change of cycle that has arisen due to doubts about the recession.

Tough lockdowns in China have led to a sharp fall in domestic demand whose recovery has been moderated by the government's zero COVID policy and the severe crisis in the construction sector. Chinese and Indonesian producers continued to prioritise cash generation over prices. Asian producers, mainly in Indonesia, maintained an aggressive pricing strategy that contributed to the price decline in the Asian market.
In addition, quotas on Malaysian material imports in Europe were exceeded in the first half of the year, forcing Bahru to withhold material at ports, reduce its material exports to Europe or take on the duties.

In conclusion, given the weakness of the demand in the Asian market, the oversupply and the aggressive pricing strategy of the main producers, the Company deemed it appropriate to revise downwards the projections of our re-roller in Malaysia, Bahru Stainless.

The Company has again requested the assistance of an independent expert, who has already been engaged in previous years, to determine the recoverable amount as at 31 December 2022.

In this connection, the independent expert carried out an estimation of the recoverable amount (based on fair value less costs of disposal) in the context of an impairment test analysis from the perspective of a market participant, taking into account the current uncertainty. A finite life was also considered (until 2046), projecting maintenance investments only.

In addition, tax loss carryforwards and unused tax credits, as well as unused land rights that may be saleable, have been taken into account.

The key assumptions used were as follows:

- Discount rate (WACC): 12.75% (9.75%-10% in 2021)
- EBIT margin (profit or loss from operations as a percentage of revenue): -1.9% (1.8%-2.0% in 2021)
- Volume: budgets approved by management with increments based on estimates from CRU (https://www.crugroup.com) until maximum capacity is reached (a similar exercise was carried out in 2021, but with estimates from CRU at that time).

As a result of the exercise described above, it has been determined that the recoverable value of Bahru Stainless Sdn. Bhd as at 31 December 2022 was lower than the carrying amount and consequently an impairment of EUR 197,197 thousand had to be made.

Acerinox Europa, S.A.U.

Acerinox Europa, boasting a melting shop capacity of one million tonnes, a privileged location and its own seaport, mainly supplies flat products to Europe and material for long products to other plants in the Group's manufacturing network.

Apparent consumption in Europe was similar to 2021. Actual demand declined due to the uncertainties arising from the invasion of Ukraine. This resulted in inventories closing above the average of recent years. Cost inflation, especially energy costs, caused great damage and loss of competitiveness in the European industry and especially in Spain.

Imports remained at high levels (31% at the end of the year) largely due to the price spread with Asia. In June, the European Commission approved the review of the safeguard measures (July 2022 - June 2023). Similarly, the European Union approved anti-subsidy measures against India and Indonesia on 16 March. In addition, an anti-circumvention investigation was initiated in July for hot-rolled flat product materials from Indonesia via Turkey, on which a decision is expected in the first quarter of 2023.

The Company took into account all these circumstances and the adjustments to the macroeconomic forecasts in preparing the five-year budgets.

The key assumptions of the budgets prepared this financial year envisage a recovery in line with the market growth estimated by SMR (Steel & Metals Market Research) in its latest review. With respect to prices, the situation of the backlog is taken into consideration when making the estimates. Furthermore, forward energy curves are considered with a very conservative approximation.

The recoverable amount of the assets was determined in accordance with their value in use.

To determine the value in use of the assets, the estimate of future cash flows that the entity expects to obtain from the assets and the discount rate, i.e. the weighted average cost of capital (WACC), were taken in account.

The key assumptions used to calculate the value in use were as follows:

	2022
Planned EBIT margin (*)	5.1%
Weighted average growth rate (**)	2.3%
Pre-tax discount rate (***)	10.8%
After-tax discount rate (***)	8.2%

(*) Five-year budgeted average EBIT margin. EBIT is defined as operating income and expressed as a margin or percentage of revenue.
(**) Used to extrapolate cash flows beyond the budgeted period.
(***) Discount rate: weighted average cost of capital (WACC).

In addition, energy costs were considered as one of the key assumptions in this exercise. The most important reference is the forward curves for energy. Given the uncertainty reflected in the markets, the budgets contain very conservative assumptions about the future development of energy costs. The prices considered for 2023 amount to EUR 170/Mwh for electricity and EUR 120/Mwh for gas. For the following 4 years, only 30% of the decline determined by the forward curves is taken into account.

To determine the discount rate, the financing or leverage structure was considered on the basis of market participant assumptions, the interest rates of the sovereign debt of Spain (ten-year bond) and a capital structure, market risk premiums and ratios of similar companies.

With respect to the terminal value, adjustments were performed to obtain flows to perpetuity, depreciation and amortisation were matched to the investments and changes in working capital were also calculated based on average amounts, deemed consistent in the long term, increased by the growth rate (g). The growth rate (g) was estimated on the basis of expected long-term inflation. The residual value considered in the test represents 53% of the total recoverable amount.

The impairment test conducted at 31 December 2022 shows an excess of the recoverable amount over the carrying amount of EUR 65,325 thousand. Consequently, no impairment is recorded.

Columbus Stainless Pty. Ltd.

Columbus Stainless is the leader in the African continent, it has a market share of 80% in this country and it is the only integral stainless steel factory in Africa.

It is the main supplier to the domestic market (South Africa is the most important market in the area), as well as the main supplier to the different consumption areas on the continent.

The South African stainless steel market remained flat in 2022 after it experienced a strong recovery of over 20% in 2021. GDP growth reached 2.6% (4.9% in 2021).

The two halves of the year were markedly different for the global stainless steel sector. The first was characterised by a very positive market situation, following the trend of the previous year. In contrast, the second half of the year was affected by high inventories at retailers caused by heavy imports. These, attracted by the "unreal" situation of shortages, came with the change of cycle that has arisen largely due to doubts about the recession.

Consequently, Columbus' results this year have reflected all these factors and have significantly exceeded the budgets approved by management at the end of last year.

The Company is confident that the flows to perpetuity will materialise, mainly in terms of its use of production capacity and margins, maintaining the growth rate(g) used. In its calculation, estimated growth rates for the country and the industry have been used, without overlooking the historical growth of stainless steel consumption.

The key assumptions used to calculate the value of use were as follows:

	2022	2021
Planned EBIT margin (*)	5.1%	5.8%
Weighted average growth rate (**)	4.7%	4.2%
Pre-tax discount rate (***)	19.7%	19.9%
After-tax discount rate (***)	14.7%	13.5%

(*) EBIT margin, defined as profit or loss from operations (as a percentage of revenue).

Average value budgeted period.

(**) Used to extrapolate cash flows beyond the budgeted period.

(***) Discount rate: weighted average cost of capital (WACC).

The average EBIT margin stated for this budgetary period was achieved in various prior periods and notably in the last two years, considering the current diversified production mix, which is improving Colombus' margins.

The discount rate (WACC or weighted average cost of capital) was calculated on the basis of the interest rates of the South African sovereign debt (ten-year swap of the South African rand) and a capital structure, market risk premiums and ratios of similar companies. The reference currency in this connection was the South African rand, since all the cash flows are estimated in this currency.

With respect to the terminal value, adjustments were performed to obtain flows to perpetuity, depreciation and amortisation were matched to the investments and changes in working capital were also calculated based on average amounts, deemed consistent in the long term, increased by the growth rate (g). The growth rate (g), like the discount rate, is estimated on the basis of the South African rand and calculated in accordance with the expected long-term inflation in that currency. At terminal value, the EBIT margin considered is lower than the average of the explicit budgeting period.

Other assumptions are the South African rand/euro exchange rate and the price of raw materials, which are established when drawing up the budget. Both are extrapolated and kept constant during the period of analysis.

Due to the uncertain environment clouding the markets in which Columbus operates, the Group analysed the probability of occurrence of the key assumptions, adjusting the estimated budgets, as well as those of the terminal year, to normalised values that mainly take into account the results obtained in the past, in addition to the company's new production mix. The residual value considered in the test represents 42% of the total recoverable amount.

The impairment test performed at 31 December 2022 shows that the recoverable amount exceeds the carrying amount of the Company's shareholding by EUR 58,291 thousand (excess of EUR 45,304 thousand in 2021), and consequently the Company has reversed impairment losses recognised in prior years for the full amount of this excess, EUR 58,291 thousand.

Other companies

For the other companies, Acerinox SC Malasia, Sdn. Bhd. and Acerinox Pacific, Ltd, commercial subsidiaries carrying and subsidiaries of the main factories, as indicated above, a budgetary exercise was also performed for the relevant period, in line with the budgets of the Group factories that supply the materials necessary for the Group's sales activities. As a result of the exercises carried out, it was determined that no impairment or reversal of impairment of the investment portfolio of these trading companies was necessary.

Summary of impairment losses recognised in 2022

The detail of the changes in impairment losses on investments in Group companies and associates in 2022 is as follows:

(Amounts in thousands of euros)

	Accumulated balance as of 31/12/21	Period endowment	Reversal of the period	Accumulated balance as of 31/12/22
Acerinox SC Malaysia, Sdn. Bhd.	18,081			18,081
Acerinox Pacific, Ltd.	19,358			19,358
Betinoks Palanmaz Çelik, A.S.	354			354
Bahru Stainless Sdn Bhd.	479,096	197,197		676,293
Columbus Stainless (Pty) Ltd.	74,759		-58,291	16,468
TOTAL	591,648	197,197	-58,291	730,554

Summary of impairment losses recognised in 2021

As a result of the analyses performed in the financial year 2021, no additional impairment recognition was necessary. In the case of Columbus Stainless, Pty. Ltd., a reversal of impairments made in previous years amounting to EUR 45,304 thousand was made to the value of its shareholding.

The detail of the changes in impairment losses on investments in Group companies and associates in 2021 is as follows:

(Amounts in thousands of euros)

	Accumulated balance as of 31/12/20	Period endowment	Reversal of the period	Accumulated balance as of 31/12/21
Acerinox SC Malaysia, Sdn. Bhd.	18,081			18,081
Acerinox Pacific, Ltd.	19,358			19,358
Betinoks Palanmaz Çelik, A.S.	354			354
Bahru Stainless Sdn Bhd.	479,096			479,096
Columbus Stainless (Pty) Ltd.	120,063		-45,304	74,759
TOTAL	636,952		-45,304	591,648

Dividends

In 2022 the Company received dividends amounting to EUR 487,916 thousand, as detailed below:

(Amounts in thousands of euros)

	2022	2021
Acerinox Shanghai Co. Ltd.	384	1,124
North American Stainless Financial Investments Ltd.	10,144	9,546
Acerinox Benelux S.A. - N.V.		1,000
Acerinox France S.A.S.	7,998	
Acerinox Metal Sanayii Ve Ticaret, Ltd Sirketi	545	
North American Stainless Inc.	468,845	265,508
TOTAL	487,916	277,178

Dividends from Group companies are recognised under “Revenue”.

9.2.8 Other disclosures

At 31 December 2022 and 2021:

There were no firm commitments to purchase financial assets.

There were no financial assets pledged as security for liabilities or contingent liabilities.

No guarantees had been received on financial or non-financial assets.

When Columbus Stainless was incorporated, Acerinox, S.A. signed a Shareholders Agreement in December 2001 with the three South African partners, Highveld Steel and Vanadium Corporation, Ltd., Samancor, Ltd. and IDC, which held ownership interests therein.

In Clause 9 of that agreement it was stipulated that in the event of a change of control at Acerinox, S.A., by virtue of which a shareholder acquired shares of Acerinox, S.A. that afforded it a majority of votes at the General Meeting or on the Board, the shareholders would be able to exercise a put option on their ownership interests vis-à-vis Acerinox, S.A.

In the years that have passed, two of the three partners who signed the agreement, Highveld and Samancor, have renounced their shareholdings, and the third, IDC, a state entity supporting industrial development in South Africa, has increased its ownership interest from 12% to 24%, given its interest in supporting the creation of wealth, the maintenance of employment and the status of the stainless steel industry as a strategic industry for the country. IDC recently declared that this was a strategic and long-term interest.

Consequently, the exercise of this option, with respect to the aforementioned assumption, is highly unlikely for the only minority shareholder of Columbus Stainless, since its permanence is not determined by the presence of Acerinox, as it was in the case of the other shareholders, but by support to the national industry.

9.3 Information on the nature and level of risk of financial instruments

The Company is exposed to various financial risks, mainly market risk (foreign exchange risk, interest rate risk), credit risk and liquidity risk. However, since the main activity of the Group to which it belongs is the manufacturing and marketing of stainless steel, the Company is also indirectly exposed to the risks inherent to the industry. The Company aims to minimise the potential adverse effects on its financial profitability through the use of derivative financial instruments, where appropriate to the risks, and by taking out insurance policies.

The Company does not acquire financial instruments for speculative purposes.

9.3.1 Direct risks

The Company's main business activities are those of a holding company. The Company monitors and approves the strategic lines of business and provides various corporate services such as legal, accounting and advisory services to all Group companies. It also handles the management and administration and centralises financing within the Group.

The Company is exposed to the following risks, arising mainly from its financing activities:

9.3.1.1 Foreign currency risk

The Company is primarily financed in euros, and it invests in and lends funds to Group companies in different currencies. The Company hedges exchange rate volatility risk by arranging currency forwards.

Monetary assets and liabilities denominated in foreign currencies are translated at the reporting date at the exchange rates then prevailing. Any exchange differences that arise from such translation are recognised in the consolidated statement of profit or loss. To avoid fluctuations in the statement of profit and loss due to changes in exchange rates, and to ensure the expected cash flows, the Company uses derivative financial instruments to hedge most of its financial transactions performed in currencies other than the euro.

The derivative financial instruments used to hedge this risk consist of foreign currency purchase and sale forward contracts negotiated by the Group's Treasury Department in accordance with policies approved by management.

The Company's business model is to hedge foreign currency risk through the use of derivative financial instruments and there is an economic relationship between the hedged item and the hedging instrument. The Company, however, classifies its foreign exchange insurance contracts in the category of financial instruments at fair value through profit or loss.

Using these instruments ensures that any fluctuation in exchange rates that could affect assets or liabilities denominated in foreign currency would be offset by a change of the same amount in the derivative arranged. Changes in the derivative are recognised in profit or loss, offsetting any changes that occur in foreign currency monetary items. As these derivatives do not qualify as cash flow hedging instruments for accounting purposes, the revaluation of these derivatives is recorded in the consolidated statement of profit or loss "Revaluation of financial instruments at fair value".

The fair value of foreign currency forward contracts is equal to their market value at the reporting date, i.e. the present value of the difference between the current forward rate and the contract rate.

Note 9.2.2 details the financial instruments arranged by the Company to hedge this type of risk at 31 December 2022 and 2021.

9.3.1.2 Interest rate risk

The Company finances itself mainly in euros, with different maturities and the loans are mostly at variable interest rates.

The Company's financial liabilities and financial assets are exposed to fluctuations in interest rates. To manage this risk, interest rate curves are analysed regularly and derivatives are occasionally used. These derivatives take the form of interest rate swaps which qualify for recognition for accounting purposes as cash flow hedging instruments. The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at the reporting date, taking into account interest and exchange rates at that date and the credit risk associated with the swap counterparties.

In addition, when considered appropriate, the Company takes out fixed-rate loans to reduce its exposure to interest rate fluctuations. During the year, the Group arranged two fixed-rate loans: one with Unicredit for EUR 50 million and the other with Banco de Crédito Social Cooperativo for EUR 60 million.

In 2022, as in 2021, the Company continued to contract and novate its long-term loans by renegotiating the fixed interest rate or margin and extending their maturity. Note 9.2.6 explains all new loan negotiations undertaken throughout the year, as well as the arrangements at fixed interest rate.

During the first half of 2022, in order to reduce the interest rate risk, the Group arranged a derivative (Interest Rate Swap) with Caixabank for an amount of EUR 260 million.

Note 9.2.2 details the financial instruments arranged by the Company to hedge this type of risk at 31 December 2022 and 2021.

In relation to the Group's interest rate sensitivity, had interest rates on its outstanding debt at year-end been 100 basis points higher, with all other variables remaining constant, the profit after tax would have been EUR 5 million lower (2021: EUR 5.3 million lower) due to higher borrowing costs on floating-rate debt. The effect on the Group's equity of such an increase in interest rates across the entire interest rate curve would have been an increase of EUR 7.5 million (2021: an increase of EUR 8.4 million), since the higher borrowing costs would have been comfortably offset by increases in the values of its interest rate hedging derivatives held at the reporting date.

9.3.1.3 Risk arising from changes in the price of securities held in listed companies.

During the year, the Company sold its equity portfolio in Nippon Steel & Sumitomo Metal Corporation (Nippon) and is therefore no longer exposed to the risk of price changes in the securities of listed companies. The Company did not use derivative financial instruments to hedge this risk, although it had recognised these shares as financial assets at fair value through other comprehensive income and any change in its measurement was recognised in equity. Note 9.2.4 includes additional information on the sale of these securities.

9.3.1.4 Liquidity risk

Liquidity risk is the risk of not being able to meet present and future obligations or not having the funds required to perform the Company's activities.

The Company is primarily financed through the cash flows arising from its operations, in addition to loans and financing facilities.

During the year, the Company has maintained good access to liquidity through long-term loans and lines of financing in excess of the amounts needed at any given time.

The Group's cash resources are centrally managed in order to optimise resources. Net debt is mainly concentrated at the parent of the Company (more than 70% of total gross debt at year-end), which in turn finances the Group companies that need it.

Based on its cash flow estimates and considering its investment plans, the Company has sufficient funding to meet its obligations, and maintains a sufficient level of undrawn credit facilities, together with high levels of liquidity, to hedge liquidity risk.

In 2022 and 2021 no defaults occurred on the principal or interest of the Group's various financing facilities.

At 31 December 2022, the Company had arranged credit facilities with banks with a maximum available limit of EUR 1,962 million (2021: EUR 1,947 million), against which EUR 1,477 million had been drawn down at 31 December 2022 (2021: EUR 1,510 million). The fair value of the current borrowings is equal to their carrying amount.

The most noteworthy financing transactions performed in 2022 and 2021 are detailed in Note 9.2.6.

Cash and cash equivalent balances are available and there is no restriction on their use.

In addition, the Company continuously monitors the maturity profile of its financial debt in order to establish the longest possible annual maturities.

9.3.1.5 Credit risk

Credit risk is defined as the possible loss that could be incurred through failure of a customer or debtor to meet contractual obligations.

All of the Company's accounts receivable relate to Group companies. As mentioned previously, the Group's cash is centrally managed in order to optimise resources, and loans are granted to Group companies on the basis of their financing requirements.

9.3.2 Indirect risks

As the Parent of the Acerinox Group, which engages mainly in the manufacture and marketing of stainless steel, the Company is exposed to risks inherent to the industry:

9.3.2.1 Price risk

The industry-inherent risks of price changes are as follows:

1. Risk due to energy price fluctuation.

Over the last two years, the sharp increases in the price of supplies, principally gas and electricity, have acquired special relevance. This unprecedented increase affected the Group's plants in Europe and especially in Spain, resulting in a loss of competitiveness with respect to other producing countries around the world. Prices have continued to increase in financial year 2022 mainly affected by Russia's invasion of Ukraine and international blockades.

The Group is seeking to mitigate these effects by improving energy efficiency and by contracting PPAs (power purchase agreements). Due to its electro-intensive nature, this is a strategic area for the Group and a constant element in excellence plans. The Group also has a number of renewable energy contracts and is constantly analysing alternative sources of supply in order to reduce costs.

Due to the impact of energy price fluctuations on the Group's costs, management has included this variable as a key assumption in valuations and forward estimates, particularly in Europe, and sensitivity analyses to energy price fluctuations are under way.

In the area of high performance alloys, the impact of energy price increases this year was limited by the hedging policy applied.

2. Risk of changes in raw material prices

The Group's exposure to raw material price fluctuations is different in the stainless steel division than in the high performance alloys division, since, although both of the Group's divisions use metals listed on the London Metal Exchange as raw materials, the performance of demand and the way in which raw material price changes affect the markets are substantially different in each division.

2.1 Raw materials used for the stainless steel division

Stainless steel is an alloy of iron, chromium (> 10.5%) and carbon (< 1.2%) to which other minerals such as nickel or molybdenum are added to give it certain properties. Nickel is one of the minerals that are present in all austenitic alloys, the most common on the market, in a variable percentage between 6 and 22%. Both nickel and molybdenum are listed on the London Metal Exchange and their prices are therefore subject to fluctuations in market prices. Due to these price fluctuations in the raw materials used in the manufacturing process, stainless steel prices can also be very volatile, as manufacturers try to pass on these fluctuations as much as possible to the selling price of stainless steel through the so-called "alloy surcharge".

The cost of raw materials accounts for about 70% of the total cost of the product, and of this, nickel accounts for about 50%. Therefore, nickel price volatility has a direct and significant effect on the cost of stainless steel. Consequently, the strategy in relation to setting selling prices and the repercussion of such fluctuations is one of the most critical functions and requires significant market knowledge. The price of nickel, because of its influence on the cost of stainless steel, ultimately determines the price of the final product, and there is a direct correlation between the two prices. In Europe, South Africa and the United States, selling prices usually comprise a base price and a variable component known as the alloy surcharge. The alloy surcharge is a mathematical formula, calculated on a monthly basis by each of the market's stainless steel producers, that takes into account changes in the prices of certain raw materials (particularly nickel, chromium and molybdenum) and fluctuations in the EUR/USD exchange rate. The application of this alloy surcharge allows nickel price fluctuations on the London Metal Exchange to be passed on to customers during the order manufacturing phase, as well as fluctuations in the prices of other raw materials and in the EUR/USD exchange rate. The pressure of imports also affects pricing policy and sometimes prevents the fluctuations in raw material costs from being passed on directly.

In the second half of 2022 the mitigating effect of the alloy surcharge on the risk of price changes performed differently in the United States and in Europe. While in the North American market the alloy surcharge is always respected by the market and is a factor of price stability, in Europe the traditional system of base price and alloy surcharge has been partially replaced by an effective pricing system due to import pressure.

In 2021 and the first half of 2022, increased confidence in the economy and improved activity boosted stainless steel demand and consumption. The rapid recovery of the main consuming countries coupled with the global logistics crisis and high transportation prices contributed to limiting imports worldwide, which favoured the recovery of prices.

The elimination of export subsidies in China, together with the control of CO_2 emissions exercised by Beijing (as part of an effort to reduce emissions and energy consumption within the Green Agenda), made it possible to correct the oversupply that has characterised the market in recent years.

The manufacturing process is planned on the basis of the existing customer backlog. The Group's manufacturing period is 15 days, allowing it to link the cost of raw materials with the selling price to the customer through the aforementioned alloy surcharge. Strict control over inventories and the adaptation of the production process to market circumstances help to mitigate the risk of raw material price fluctuations.

2.2 Raw materials used for the high-performance alloys division

The high-performance alloys division involves alloys whose content of listed metals such as nickel is much higher than that of stainless steel, reaching up to almost 100% in certain alloys. In addition, they may also contain other metals such as copper, cobalt, aluminium and molybdenum. The metal content in this type of alloys accounts for 2/3 of the total cost of the product and the selling price of these alloys is up to 10 times higher than that of stainless steel. The manufacturing period lasts around three to four months and, accordingly, the Group must purchase metals several months before they are sold.

Due to the percentage of metals in the total cost of the product and the associated price volatility, customers in this sector always demand fixed prices, which the Group guarantees when orders are received, initially assuming the full risk of raw material volatility. To mitigate this risk, the Group has a metals trading department in this division, which is responsible for entering into derivatives on the LME (London Metal Exchange) to hedge the metal purchases required to manufacture the products demanded by customers. In the case of metals not listed on the LME, natural hedges through physical stock are undertaken.

3. Risk of price distortion due to the accumulation of stock in the market

The stainless steel market is characterised by robust demand, which has grown at an annual rate of approximately 6% for over 50 years. The demand for stainless steel for all industrial applications and its presence in all industries guarantee that this growth rate will be sustained in the coming years. Although end consumption continues to grow steadily, the fact that this market is largely controlled by independent wholesalers leads to volatility in apparent consumption, based on their expectations regarding nickel price trends on the London Metal Exchange (LME) and their resulting stockpiling or inventory realisation strategies.

Fluctuations in the price of nickel also affect consumer demand. Reductions in the price of nickel tend to go hand in hand with short-term drops in demand. Conversely, a rise in nickel prices tends to go hand in hand with higher demand. To reduce the risk arising from the fact that independent wholesalers control the majority of the market, the Acerinox Group has developed a sales network that enables it to supply end customers on a continuous basis, by means of warehouses and service centres through which the Group's production is channelled. This policy has enabled the Group to obtain a significant market share among end customers, enabling it to stabilise its sales and, therefore, reduce this risk.

4. Risk of overvaluation of inventories

The convenience of maintaining sufficient inventory levels at the Group's warehouses entails the risk that these inventories might be overvalued with respect to their market price. The Group mitigates this risk by keeping strict control of its inventory levels.

The valuation of raw materials, work in progress and finished goods at average cost also helps to reduce the volatility of costs and, therefore, the impact of nickel price fluctuations on margins.

During the year, an adjustment of inventories to net realisable value of EUR 98 million was necessary due to the decline in demand in the last quarter, high production costs and falling prices.

In conclusion, the aforementioned factors (own sales network, controlled inventory levels, alloy surcharges, average cost valuation, shortening of the production cycle and a policy of accepting short-term orders) help to reduce exposure to the main risk, namely the cyclical nature of apparent consumption due to the volatility of raw material prices. As this is, in any case, a factor beyond the Group's control, effective management of this risk is not always sufficient to eliminate its impact.

9.4 Insurance

The geographical diversification of the Company's factories (with three integrated flat product manufacturing plants, one cold-rolling plant and three long product manufacturing plants) ensures that an accident would not affect more than one third of total production. This guarantees the continuity of the business, while adequate coordination between the other factories mitigates the consequences of material damage to any of the facilities.

Sufficient coverage has been arranged for the Group's factories through material damage and loss-of-profit insurance policies, which account for over 54.62% of the Acerinox Group's insurance expenditure. Also, all assets under construction are covered by the insurance policies taken out by the respective suppliers as well as the global building and assembly policy.

The Group also has a reinsurance company based in Luxembourg (Inox Re), which manages these risks by assuming a portion as self-insurance and accessing the reinsurance market directly.

The Acerinox Group has also arranged general third-party liability, environmental, credit, transport and group life and accident insurance policies to reduce its exposure to these various risks.

9.5 Cash

The detail of the amount of cash at 31 December 2022 and 2021 is as follows:

(Amounts in thousands of euros)

	2022	2021
Cash on hand	15	18
Banks	3,305	11,287
TOTAL	3,320	11,305

NOTE 10 – EQUITY

10.1 Subscribed capital, share premium and treasury shares

Acerinox S.A.'s share capital solely comprises ordinary shares. All these shares carry the same rights and there are no bylaw restrictions on their transfer.

The Board of Directors held on 30 June 2022, on the basis of the authorisation granted by the Annual General Meeting of Acerinox, S.A. held on 16 June 2022, resolved to execute the resolution to reduce share capital, reducing it by EUR 2,705,462.00 through the redemption of 10,821,848 treasury shares. The purpose of this reduction of share capital through the redemption of treasury shares is to increase the value of the shareholders' stake in the Company.

At the cut-off date the share capital consisted of 259,724,345 ordinary shares of EUR 0.25 nominal value each, yielding capital of EUR 64,931 thousand (270,546,193 ordinary shares at the end of 2021 and a capital figure of EUR 67,637 thousand). The shares have been fully subscribed and paid.

All the Company's shares are listed on the Madrid and Barcelona stock exchanges.

At 31 December 2022, the only shareholder with a stake of 10% or more in the share capital of Acerinox, S.A. is Corporación financiera Alba, S.A. with 18.52% (2021: 17.78%).

10.2 Reserves

The detail of the reserves at 31 December is as follows:

(Amounts in thousands of euros)

	Legal reserve	Voluntary reserve and prior years' losses	Reserve for redeemed shares	Reserves for revaluation of non-current assets	TOTAL RESERVES
Balance as of 31 December 2020	13,527	320,641	3,475	5,243	342,886
Application of retained earnings		655,352			655,352
Dividend charged to Reserves		-135,226			-135,226
Other changes		707			707
Balance as of 31 December 2021	13,527	841,474	3,475	5,243	863,719
Amortisation of treasury shares		-121,588			-121,588
Application of retained earnings		308,558			308,558
Dividend charged to Reserves		-129,850			-129,850
Other changes		-809			-809
Balance as of 31 December 2022	13,527	897,785	3,475	5,243	920,030

"Other movements" mainly comprise the difference between the value of own shares delivered under the long-term equity compensation plan and the equity instruments deferred based on the estimates made. The details of these agreements are explained in Note 14.3.

10.2.1. Legal reserve

Appropriations were made to the legal reserve in accordance with Article 274 of the Spanish Limited Liability Companies Law, which requires that 10% of net profit for each year be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. Since 31 December 2020, the Company has already recorded this reserve for an amount equivalent to 20% of the share capital, amounting in both periods to EUR 13,527 thousand.

The legal reserve is not distributable to shareholders and can only be used to offset losses, in the event that sufficient other reserves are not available for this purpose, in which case the reserve must be replenished with future profits.

10.2.2. Voluntary Reserves

Pursuant to Article 273 of the Spanish Limited Liability Companies Law, voluntary reserves are unrestricted as to their use, provided that the distribution thereof does not reduce equity to below share capital.

10.2.3. Redeemed shares reserve and property, plant and equipment revaluation reserve

In accordance with Royal Decree-Law 7/1996, of 7 June, on urgent tax measures and measures to foster and deregulate the economy, the Company revalued its items of property, plant and equipment. The amount of the property, plant and equipment revaluation reserve reflects the revaluation gains, net of tax at 3%.

The tax authorities had a three-year period from 31 December 1996 in which to conduct a tax audit. Since such an audit did not take place, the aforementioned balance could be used to eliminate losses or increase the Company's share capital. After ten years had passed, the depreciated or transferred revaluation gains were taken to unrestricted reserves, or the revalued items were derecognised. The outstanding balance relates to land.

The balance of this account may only be distributed, either directly or indirectly, once the gain has been realised.

10.3 Treasury shares

The Board of Directors of Acerinox, S.A., at its meeting held on 16 December 2021, approved a share buyback plan of up to 4% of the share capital. The maximum investment approved was EUR 150 million and the maximum number of shares to be acquired could not exceed 10,821,848, representing 4% of the Company's capital, at the time of approval.

During the year, 10,388,974 shares were acquired for an amount of EUR 114,875 thousand in connection with this buy-back programme. (As of 31 December 2021, 835,361 shares had been acquired for a total amount of EUR 9,418 thousand). As explained in the section on share capital, all shares corresponding to this buy-back programme have been redeemed this year. Effective 30 August 2022, 10,821,848 shares of Acerinox, S.A. have been delisted from trading on the Madrid and Barcelona Stock Exchanges.

The Board of Directors meeting on 27 July, in view of the Company's financial strength, cash generation prospects and the low level of the share price, agreed to initiate a new 4% share buy-back programme for its later amortisation. This programme fulfils the Company's commitment to redeem the shares that were issued in the years when scrip dividends were made.

As in the case of the buy-back programme approved at 2022 year-end, the shares must be purchased at market price and under the price and volume conditions set out in Article 3 of the Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016. The Company may not purchase shares at a price higher than the higher of the prices of the last independent trade and the highest current independent purchase bid on the trading venue where the purchase is carried out.

The Company may not purchase on any trading day more than 25% of the average daily volume of the shares on the trading venue on which the purchase is carried out. The average daily volume of the Company's shares for the purposes of the foregoing calculation will be based on the average daily volume traded during the twenty business days preceding the date of each purchase. This limit would apply for the entire duration of the programme.

On 26 October 2022, the Company completed the acquisition of 10,388,974 shares included in the second approved buy-back programme. The redemption of the shares acquired will be proposed to the 2023 Ordinary Annual General Meeting. The disbursement made by the Group this year in connection with this programme amounted to EUR 124,294 thousand.

At year-end, the Company holds 10,392,404 treasury shares with a value of EUR 90,703 thousand (908,669 treasury shares with a value of EUR 10,251 thousand at 31 December 2021).

In June this year, 109,378 treasury shares were delivered to Group executives as a result of the completion of the second cycle of the First Multi-Year Remuneration Plan (20,112 shares delivered to executives in 2021). In this way, treasury shares totalling EUR 1,234 thousand were derecognised (EUR 229 thousand in 2021). The difference between the equity instruments recorded in accordance with the valuation made at the beginning of the plan and the treasury shares delivered has been recorded against reserves of the parent company in the amount of EUR -809 thousand (EUR 628 thousand taken against reserves in 2021).

As explained in Note 14.3, on 1 January 2021, a new multi-year remuneration plan was approved, consisting of three cycles, each with a duration of three years. Other Group executives have also been included in this second plan. During the year, 40,000 treasury shares amounting to EUR 419 thousand were acquired to cover the multi-year remuneration plans for executives.

10.4 Earnings per share

The basic earnings per share are calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding in the year, less treasury shares.

(Amounts in thousands of euros)

	2022	2021
Net Profit	332,013	308,558
Weighted average number of common shares outstanding	257,598,114	270,435,907
Earning/(loss) per share (in Euros)	1.29	1.14

Although there were other equity instruments that gave access to capital at 31 December 2022, as indicated in Note 14.3, these do not have a significant effect on the calculation of earnings per share and, therefore, diluted earnings or losses per share are the same as basic earnings or losses per share.

10.5 Distribution of dividends

The Annual General Meeting held on 16 June 2022 approved the distribution of a dividend of EUR 0.50/share, which was paid on 5 July 2022. The amount paid amounted to EUR 129,850 thousand.

The Board of Directors of Acerinox, S.A. held on 20 December 2022 has decided to propose to the Ordinary Annual General Meeting of Shareholders of the Company a dividend of EUR 0.60 per share charged to 2022 results, of which EUR 0.30 will be paid as an interim dividend on 27 January 2023. This dividend will be submitted for approval at the Annual General Meeting to be held in 2023. The Company has recognised an interim dividend of EUR 74,799 thousand under “Other current financial liabilities” in the consolidated statement of financial position.

The provisional accounting statement prepared by the directors in accordance with art. 277 of the Spanish Corporate Enterprises Act, which shows the liquidity status for the payment of the interim dividend, is as follows:

	2022	
Cash on hand at 30 November 2022		3,965
Plus:		
Planned cash increases between 30 November 2022 and 27 January 2023		237,574
Dividend collection	95,721	
Receivables from financial operations	140,000	
Receivables from operating activities	1,853	
Less:		
Planned cash decreases between 30 November 2022 and 27 January 2023		-3,026
Payments for operating activities	3,026	0
Available liquidity at 27 January 2023		238,513

With regard to 2021, the Annual General Meeting held on 16 June 2022 resolved to distribute a cash dividend, charged to unrestricted reserves, in the amount of EUR 0.50 (gross) for each outstanding share. This dividend of EUR 135,226 thousand was paid on 5 July 2022.

NOTE 11 – FOREIGN CURRENCY

The detail of the main items in the balance sheet and statement of profit or loss denominated in a foreign currency is as follows:

(Amounts in thousands of euros)

	2022		2021	
	USD	MYR	USD	MYR
Trade and other receivables	384		110	
Dividend receivable	187,512		264,877	
Payable to suppliers and other payables				
Loans to group companies		17,228		17,087
Bank borrowings				
Loans from Group companies				

The detail, by class of financial instrument, of the exchange differences recognised in profit or loss is as follows:

(Amounts in thousands of euros)

	2022		2021	
	Realised exchange differences	Unrealised exchange differences	Realised exchange differences	Unrealised exchange differences
Trade and other receivables	-3,474	-679	470	-794
Bank borrowings	12	0	-12	0
Payable to suppliers and other payables	1,286	-1	19,413	-18,773
TOTAL	-2,176	-680	19,871	-19,567

Losses are shown as positive figures and gains as negative.

These exchange differences were offset by the gain arising from the changes in fair value of financial instruments (currency forwards), amounting to EUR -1,032 thousand (2021: EUR -272 thousand). The differences between the two amounts are due mainly to the interest rate differentials between the currencies involved in the currency forward arranged.

NOTE 12 – TAX MATTERS

Acerinox, S.A. files consolidated tax returns. At 31 December 2022 and 2021, the consolidated tax group was made up of: Acerinox, S.A., Acerinox Europa, S.A.U., Roldan, S.A., Inoxfil, S.A., Inoxcenter, S.L.U. and Inoxcenter Canarias, S.A.U.

12.1 Legislative amendments

During the period, no significant legislative amendments were passed relating to corporate income tax that could have an impact on the Company.

In 2021 Law 22/2021 on the General State Budget for 2022, published on 29 December 2021, introduced a series of measures, some of which affect corporate income tax and which were applicable as from 1 January 2022. Specifically, it established a minimum taxation of 15% of the taxable income (after offsetting tax loss carryforwards) for those taxpayers with net revenue equal to or greater than EUR 20 million or who pay tax under the tax consolidation regime. This measure had no impact this year, as the tax group in Spain generated tax loss carryforwards.

12.2 Income tax expense on earnings

The income tax expense recognised was as follows:

(Amounts in thousands of euros)

	2022	2021
Adjustments from prior years	137	-34
Adjustments for tax assessments		-131
Current tax for the year	-3,265	2,421
Deferred taxes	-2,143	-4,468
Income tax	-5,271	-2,212

Note 12.3.1 explains the recoverability analyses conducted this year with respect to tax loss carryforwards. The Company has not recognised any tax credits following the impairments made in previous years. Although the company achieved both a positive result and a positive taxable income this year, it was unable to use the outstanding tax credits from previous years due to the poor results of the tax group. As far as the tax group is concerned, no additional valuation adjustments were made this year; on the contrary, some of the companies in the tax group recognised tax credits for tax losses generated this year amounting to EUR 15,550 thousand. In 2021, the recoverability analysis carried out allowed certain companies of the tax group to recognise deferred tax assets impaired in prior years in the amount of EUR 5,493 thousand.
The amount recognised under "Other Taxes" in the consolidated statement of profit or loss includes the taxes paid abroad as a result of the withholdings made on the payment of interest and dividends.

The Company received dividends from its subsidiaries in the amount of EUR 488 million, most of which were exempt from tax withholdings (2021: EUR 277 million, and practically all of them were exempt from taxation).

Withholdings on interest payments are deductible from corporate income tax under the double taxation conventions, and they reduce the income tax expense.

Due to the different treatment permitted under tax legislation for certain transactions, the accounting profit or loss for the year differs from the tax base. Below is a reconciliation of the accounting profit for the year to the tax loss that the Company expects to contribute to the consolidated tax return following the requisite approval of the annual accounts:

(Amounts in thousands of euros)

2022	Statement of profit or loss			Income and expenses recognised directly in equity		
Balance of income and expenses for the year			332,013			28,633
	Increases	Decreases	Net	Increases	Decreases	Net
Corporate income tax	5,552		5,552	9,542		9,542
Permanent differences	197,442	512,174	-314,732		1,070	-1,070
Temporary differences						
- arising in the year	2,617	6,062	-3,445	-35,183	1,922	-37,105
- arising in prior years		6,330	-6,330			
Taxable income			13,058			
Offsetting of taxable income from prior years						
Taxable income (Tax result)			13,058			

2021	Statement of profit or loss			Income and expenses recognised directly in equity		
Balance of income and expenses for the year			308,558			7,725
	Increases	Decreases	Net	Increases	Decreases	Net
Corporate income tax	2,675		2,675	2,576		2,576
Permanent differences	146	299,555	-299,409			
Temporary differences						
- arising in the year	3,033	5,137	-2,104	-3,766	6,535	-10,301
- arising in prior years		32	-32			
Taxable income			9,688			
Offsetting of taxable income from prior years			-2,422			
Taxable income (Tax result)			7,266			

The permanent differences include:

- Decreases include dividends from Group companies to which the exemption from double taxation applies, with a limit of 95%. This year also includes the reversal of the impairment of the investment made, which is detailed in Note 9.2.7 and which is not taxed for tax purposes as the impairments previously made were non-deductible.
- Increases mainly include non-deductible expenses as well as the impairment charge for investments made and detailed in Note 9.2.7.

The most significant temporary differences are as follows:

- Arising in the year:

Increases:

- An adjustment of EUR 1,512 thousand was included in 2022 in relation to the contributions made to insurance companies to cover the obligations assumed with respect to certain employees, which were non-deductible this year. (2021: EUR 1,751 thousand).
- EUR 1,105 thousand, arising from the long-term incentive plan approved by the Group, which are non-deductible until the time of payment, were also included (2021: EUR 1,281 thousand).

Decreases:

- Goodwill: a negative adjustment of EUR 3,917 thousand was made to the tax base under Transitional Provision Fourteen of the Spanish corporate income tax law.
- EUR 1,303 thousand derived from the delivery of treasury shares to certain employees as a result of the settlement of the second cycle of the Incentive Plan (2021: EUR 235 thousand).
- EUR 842 thousand for payments made to employees as a result of obligations assumed (EUR 985 thousand in 2021).

  - Arising in prior years:

Decreases:

- The reversal of the impairment of the holding in the Japanese company Nippon, which was liquidated during the year, is included as a decrease.

Below is a reconciliation of the tax expense and the accounting profit or loss for 2022 and 2021:

(Amounts in thousands of euros)

	2022		
	Recognised in profit or loss	Recognised directly in equity	Total recognised income and expenses
Balance of income and expenses for the year	332,013	28,633	360,646
Income tax	5,271	9,542	14,813
Other taxes	281		281
Profit (loss) before tax	337,565	38,175	375,740
Tax on profits using local tax rate (25%)	-84,391	-9,544	-93,935
Effects on tax charge:			
Deductions			
Adjustments from prior years	137		137
Tax incentives not recognised in the income statement	300		300
Tax effect of permanent differences in the taxable income	78,683	9,544	88,227
Total income tax for the year	-5,271		-5,271

The tax incentives not recognised in the statement of profit or loss relate mainly to the removal of double taxation tax credits and donations.

Last year, due to the good results of the tax consolidation group, the Company was able to offset tax losses of EUR 2,422 thousand, which resulted in income of EUR 636 thousand, as the Company had no capitalised tax assets at the end of 2021. This year, such offsetting was not possible.

(Amounts in thousands of euros)

	2021		
	Recognised in profit or loss	Recognised directly in equity	Total recognised income and expenses
Balance of income and expenses for the year	308,558	7,725	316,283
Income tax	2,212	2,576	4,788
Other taxes	463		463
Profit (loss) before tax	311,233	10,301	321,534
Tax on profits using local tax rate (25%)	-77,808	-2,575	-80,383
Effects on tax charge:			
Deductions			
Adjustments from prior years	-34		-34
Adjustments for tax assessments	-131		-131
Use of unrecognised tax credits	636		636
Tax incentives not recognised in the income statement	406		406
Tax effect of permanent differences in the taxable income	74,852	2,575	77,427
Impairment of tax credits	-133		-133
Total income tax for the year	-2,212	0	-2,212

12.3 Deferred taxes

The changes in deferred tax assets and liabilities were as follows:

(Amounts in thousands of euros)

	Deferred tax assets	Deferred tax liabilities
Balance as of 31 December 2020	13,355	13,063
Temporary differences for the year recorded in profit or loss	443	980
Temporary differences from prior years' adjustments	-31	
Adjustments from prior years	-36	
Temporary differences taken directly to equity		
- Changes in value of financial instruments	-1,848	727
Credits for tax loss carryforwards and deductions	-4,568	
Use of unrecognised tax credits	636	
Balance as of 31 December 2021	7,952	14,770
Temporary differences for the year recorded in profit or loss	-1,465	979
Transfers	8,437	8,437
Temporary differences from prior years' adjustments	119	
Adjustments from prior years	67	
Temporary differences taken directly to equity		
- Changes in value of financial instruments	-9,419	125
Credits for tax loss carryforwards and deductions	300	
Use of unrecognised tax credits		
Balance as of 31 December 2022	5,991	24,311

The origin of the deferred tax assets and liabilities is as follows:

(Amounts in thousands of euros)

	2022			2021		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Goodwill		16,647	-16,647		15,668	-15,668
Investments in Group companies and associates						
Financial assets at fair value through equity				1,574	-125	1,699
Non-deductible financial expenses						
Non-deductible amortisation	19		19	29		29
Other liabilities for pensions and other incentives	5,656	-773	6,429	5,365	-773	6,138
Financial instruments		8,437	-8,437	983		983
Tax credit for tax loss carryforwards to be offset	14		14			
Deductions pending application	302		302			
Prepaid / deferred taxes	5,991	24,311	-18,320	7,951	14,770	-6,819

The origin of the deferred tax assets and liabilities is as follows: Although the Spanish Income Tax Law (Law 27/2014) provides that tax loss carryforwards do not have a time limit for offset, pursuant to Royal Decree-Law 3/2016, companies whose revenue exceeds EUR 60 million may only use 25% of their taxable profit for the year to offset prior years' losses. At 31 December 2022, the Company had tax loss carryforwards amounting to EUR 65,624 thousand. The Company has capitalised tax credits at 31 December 2022 amounting to EUR 14 thousand arising from an adjustment of prior years. The company had no capitalised tax credits at 31 December 2021.

The Company files consolidated tax returns and, accordingly, when assessing the recoverability of its tax assets, takes into account the results of the whole tax group. Following the recoverability analyses performed at year-end and explained in the following section, the Company could not recognise tax assets unrecognised in previous financial years.

The Company has tax assets not recognised for accounting purposes arising from temporary differences amounting to EUR 183 million (2021: EUR 148 million) as a result of impairment losses recognised for accounting purposes that had not been deducted for tax purposes. These tax assets arise from the impairment losses recognised for accounting purposes on Acerinox, S.A.'s investments in certain of its investees that are not deductible until the investments giving rise to the related temporary difference are settled.

12.3.1 Analysis of the recoverability of deferred tax assets

As stated in the accounting policies, the Company recognises deferred tax assets in the balance sheet provided that those assets are recoverable within a reasonable period, also taking into consideration the legally established limitations on their use. Management deems a period of approximately ten years to be reasonable.

To assess the recoverability of the unused tax assets, the Company prepares a five- to ten-year budget based on which it performs the tax adjustments necessary to determine the tax bases. Also, the Company takes into account the limitations on the offset of tax bases established by legislation. Additionally, it assesses the existence of deferred tax liabilities against which tax losses may be offset in the future.

Since the Company files consolidated tax returns, it takes into account the earnings projections of all the entities that form part of the tax group.

In preparing budgets, the Group considers the financial and macroeconomic circumstances and those of the stainless steel market itself, adapted to the entity's operating environment. Parameters such as expected growth, use of installed production capacity, prices, etc. are projected on the basis of the forecasts and reports of independent experts, as well as historical figures and the targets set by management. Relevant key assumptions such as exchange rates, raw material prices or energy prices are extrapolated using highly conservative criteria, always tied to the most recent values recorded in the pertinent markets at the date of the analysis.

At 31 December 2022, tax assets arising from tax loss carryforwards not yet claimed by the Company amounted to EUR 66 million, which are not recognised for accounting purposes. Tax assets arising from tax loss carryforwards from the consolidated tax group in Spain amounted to EUR 155 million at year-end, of which EUR 96 million were not recognised as deferred tax assets. In this financial year, the high cost of energy and the declines in the European market in the second half of the year have led to some of the Group's Spanish companies posting negative results. Following an appropriate impairment analysis, the Group has deemed it appropriate to capitalise the tax credits incurred this year by certain Group companies.

It is important to note that there are significant restrictions on the use of tax losses in Spain. In the case of the Spanish tax group, just 25% of the taxable profit generated in a given year can be used to offset prior years' losses.

This year, the Group has revalued the forecasts made last year.

The key assumptions considered in the preparation of the budgets are based on demand estimates, raw material and selling prices, exchange rates, consumer price increases, energy costs estimates and the Company's strategy itself. In terms of demand, SMR (Steel & Metals Market Research) estimates predict a decline in demand in 2023 and growth averaging 2.8% over the next 5 years. However, high energy costs in Spain, which have forced production stops, and the planning of major repairs have resulted in Acerinox Europe's 2022 volumes being significantly below expected estimates, leading us to believe that 2023 should see a return to higher sales volumes. As for prices, sources such as CRU predict a slight increase in Europe after falling in the second half of 2022. The Group has been cautious in its estimates and maintains the current price level for the forward estimates made. For supply prices, the price curves for the future are taken into account but adjusted upwards as the Group is cautious in its future estimates. For other costs, the increase in consumer price indices is taken into account. Taking all these factors into account, volume growth is maintained in the estimates for the coming years, so diluting fixed costs and improving margins.

In view of all the above, the five-year budgets prepared by management and extrapolated to a ten-year period, considering the estimated yields and historical margins, only justify the recovery of all activated credit over the next ten years and all the tax credit carryforwards. Accordingly, the Group recovered tax losses generated in the financial year amounting to EUR 62 million which it has activated.

Based on forward-looking estimates in the previous year, the Group recorded unrecognised tax credits in the amount of EUR 5,493 million as impairment in 2022 in certain Group companies.

Sensitivity analyses were performed on these estimates to determine the risk that a change in the assumptions may require an additional impairment loss to be recognised on these deferred tax assets. As tax assets were written down to the limit indicated in the estimates, any budget shortfall would cause a further reduction in the tax assets. Among the possible ten-year projection scenarios, the Group selected that which it deems the most reasonable on the basis of historical factors. If the projected earnings for the next ten years were to decrease by 10%, the recovery period for the recognised tax assets would increase to eleven years instead of ten.

12.4 Current tax

Current tax assets recognised at year-end amounted to EUR 12,267 thousand (2021 year-end: EUR 3,277 thousand). This mainly includes the receivable in Spain arising from the tax settlement for 2021 and the payments on account made in the current year, which the Group will recover in the tax settlement for 2022. The corporate income tax legislation provides for a minimum payment on account of 23% of the profits generated in the period. In April 2022, the minimum payment of 23% was applicable.

As a result of the consolidated tax regime, Group companies generated balances in the amounts of EUR 6,095 thousand receivable and EUR 2,831 thousand payable in 2022 (2021: EUR 1,250 thousand receivables). The receivables from companies belonging to the consolidated tax group as a result of the offset of tax loss carryforwards between Group companies amount to EUR 13,173 thousand (2021: EUR 16,526 thousand), and no amount payable resulted in 2022 nor 2021.

12.5 Tax audits and years open for review

Pursuant to the Spanish Income Tax Law, tax loss carryforwards declared in the tax returns for years open for review become statute-barred ten years from the day following the final day of the period established for filing the tax return or self-assessment for the tax period in which the right to offset arose. Once this period has elapsed, taxpayers must demonstrate that the carry-forward tax losses that they wish to offset, and the amount thereof, are appropriate by submitting the assessment or self-assessment and the accounting records, together with evidence that they were filed at the Companies Registry within the aforementioned period.

At 31 December 2022 and 2021, Acerinox, S.A. had all the taxes applicable to them open for review by the tax authorities in relation to the following years:

Type of tax	2022	2021
Corporate income tax	2018-2021	2017-2020
Value added tax	2019-2022	2018-2021
Customs duties	2019-2022	2019-2021
Personal income tax	2019-2022	2018-2021

In relation to the last financial year, Acerinox, S.A. was informed on 20 January 2021 of the start of the partial review and investigation measures for the years 2017 to 2019 and in relation to the aspects already settled during the previous inspection.

On 4 June 2021 the tax assessments were signed on an uncontested basis, bringing this procedure to an end. The tax assessments resulted in an income tax charge of EUR 50 thousand plus interest of EUR 4 thousand for 2017 to 2019. No penalties were imposed. With respect to VAT, the tax assessments included adjustments under the deductible proportion rule amounting to EUR 107 thousand of VAT payable plus interest of EUR 20 thousand for the whole of the audited period. These amounts were paid in July 2021.

12.6 Balances with the Public Administrations

At 31 December 2022 and 2021, the following were the Company's balances with the Public Administrations (except corporate income tax balances):

(Amounts in thousands of euros)

	2022		2021	
	Receivables	Payables	Receivables	Payables
Social Security payable	7	149		140
Personal income tax		381		395
Value added tax	406		484	
TOTAL	413	530	484	535

NOTE 13 – INCOME AND EXPENSES

13.1 Staff costs

The detail of "Staff Costs" is as follows:

(Amounts in thousands of euros)

	2022	2021
Wages, salaries and similar	20,593	18,053
Social security	1,539	1,425
Other employee benefits	669	1,026
Staff costs	22,801	20,504

13.2 Revenue and other operating income

The detail of revenue is as follows:

(Amounts in thousands of euros)

	2022	2021
Dividends received from Group companies	487,916	277,178
Provision of services	33,742	30,776
Interest on loans to Group companies	13,843	11,481
Revenue	535,501	319,435

"Other Operating Income" in the statement of profit or loss includes mainly lease income amounting to EUR 341 thousand (2021: EUR 328 thousand).

13.3 Outsourced services

The detail of outside services is as follows:

(Amounts in thousands of euros)

	2022	2021
Repairs and maintenance	1,143	940
Freelance services	5,002	3,126
Supplies	128	86
Travel expenses	556	91
Communications	875	916
Insurance	1,734	921
Advertising	216	65
Other	2,206	1,853
Outside services	11,860	7,998

NOTE 14 – PROVISIONS AND CONTINGENCIES

14.1 Long-term provisions

No long-term provisions had been recognised at 31 December 2022 or 2021.

14.2 Contingent liabilities

Guarantees

At 31 December 2022, the Company had provided guarantees totalling EUR 1.7 million to third parties, mainly public authorities and suppliers (2021: EUR 1.7 million) which correspond mainly to guarantees presented to the Public Administration and suppliers.

Company management does not expect any significant liabilities to arise as a result of these guarantees and, accordingly, no provision was recognised in these annual accounts in this connection.

14.3 Share-based payment transactions

At its meeting held on 22 March 2018, the Board of Directors of Acerinox, S.A. approved a multi-year remuneration or long-term incentive (LTI) plan enabling the CEO and senior executives of the Acerinox Group to receive a portion of their variable remuneration in the form of treasury shares of Acerinox, S.A. The target amount is 30-50% of their base salary, subject to a personal limit of 200% of the respective target. This plan was subsequently submitted to, and approved by, the shareholders of Acerinox at the General Meeting held on 10 May 2018.

The approved LTI plan consists of three three-year cycles. The First Cycle of the plan ran from 1 January 2018 to 31 December 2020. The Second Cycle commenced on 1 January 2019 and ends on 31 December 2021, and the Third Cycle commenced on 1 January 2020 and ends on 31 December 2022.

On 1 January 2020, the third three-year cycle of the multi-year remuneration plan came into force.

Also, on 1 January 2021, a new multi-year remuneration plan was approved, consisting of three cycles, each with a duration of three years. Other Group executives have also been included in this second plan.

Under both remuneration plans, employees receive shares of the Parent ("Performance Shares") at the end of each cycle. The delivery of the shares and the number to be delivered are contingent upon the fulfilment of certain vesting requirements relating to the employee remaining in service and the achievement of individual corporate objectives, certain of which depend on market circumstances.

The Company presumes that the services are to be provided over the irrevocability or vesting period as consideration for the future delivery of the shares. Accordingly, the services rendered are recognised on a straight-line basis over the period in which the rights to receive those shares become irrevocable.

The Company measures the goods or services received, as well as the corresponding increase in equity, at fair value on the date the equity instruments are granted.

To calculate this theoretical number of shares, the shares of Acerinox, S.A. are measured at their quoted price 30 trading days prior to commencement of the plan, and their subsequent increase or decrease in value is assumed by the employee. The resulting number of Performance Shares is used as the basis for determining the actual number of Acerinox, S.A. shares to be delivered (if any) at the end of each cycle, depending on the extent to which objectives are achieved and subject to compliance with the requirements set out in the regulations governing each plan.

The Group engaged an independent expert to calculate the percentage of objectives achieved, subject to market conditions. Using accepted valuation techniques (the Monte Carlo method), the expert calculated the reasonable percentage of shares attributable to each employee subject to the remuneration plan. According to this valuation, the number of shares to be delivered in the performance of each of the plan cycles would be 203,830 shares, which would represent 0.2% of the share capital of Acerinox, S.A. at the end of the three cycles.

This year, 109,378 treasury shares were delivered to Group executives as a result of the completion of the second cycle of the First Multi-Year Remuneration Plan (20,112 treasury shares delivered in 2021). The difference between the value of the treasury shares delivered (EUR 1,234 thousand in 2022 and EUR 229 thousand in 2021) and the equity instruments provisioned on the basis of the estimates made (EUR 940 thousand in 2022 and 2021), after deducting withholdings on account, was moved to reserves in the amount of EUR -809 thousand and EUR 628 thousand, respectively.

The expense incurred in 2022 amounted to EUR 1,105 thousand (2021: EUR 1,282 thousand), the balancing entry of which was recognised under "Other Equity Instruments". The amount recognised at year-end under "Other Equity Instruments" in the balance sheet totalled EUR 3,798 thousand (2021: EUR 3,121 thousand).

14.4 Employee benefits and other obligations

The Company has assumed retirement commitments vis-à-vis its senior executives, giving rise to obligations of EUR 17.9 million (2021: EUR 16.5 million). Since these obligations were appropriately insured in both 2022 and 2021, and their estimated amount was covered by cash flows arising from the insurance policies taken out for this purpose, no liabilities were recognised in this connection.

The assumptions used to calculate the fair value are detailed below:

	2022	2021
Mortality table	PER 2020_Col_1st.order	PER 2020_Col_1st.order
CPI	2.00%	1.50%
Salary growth	2.00%	1.50%
Growth in social security	2.00%	1.50%
Retirement age	65 years	65 years
Accrual method	Projected Unit Credit	Projected Unit Credit

NOTE 15 – RELATED PARTY BALANCES AND TRANSACTIONS

15.1 Identification of related parties

The Company's annual accounts include transactions performed with the following related parties:

- Group companies
- Associates
- Key executives of the Group and members of the Boards of Directors, as well as persons related thereto, of the various Group companies
- Significant shareholders of the Company.

All the transactions performed with related parties are performed under market conditions.

15.2 Balances and transactions with Group companies

The detail of the trade balances with Group companies at 31 December is as follows:

(Amounts in thousands of euros)

COMPANY	2022		2021	
	Receivables	Payables	Receivables	Payables
Acerinox Australasia PTY. LTD	6		3	
Acerinox do Brasil Representaçoes Ltda.	4		23	
Acerinox Benelux, S.A.-N.V.	6		9	
Acerinox Argentina, S.A.	326		274	
Acerinox Chile, S.A.	21	4	26	
Acerinox Colombia S.A.S.	24		5	
Acerinox Deutschland GmbH	122		147	
Acerinox Europa, S.A.U.	5,509	4	4,611	
Acerinox France S.A.S.	36		59	
Acerinox India Pte. Ltd.	27		14	
Acerinox Italia S.R.L.	739		139	
Acerinox Metal Sanayii Ve Ticaret, Ltd Sirketi	54		16	
Acerinox Middle East Dmcc	29		3	
Acerinox Pacific Ltd	9		14	
Acerinox Polska, SP.Z.O.O.	59		70	
Acerinox Russia Llc	26		5	
Acerinox Scandinavia, A.B.	81		89	
Acerinox (Schweiz) Ag.	7		10	
Acerinox SC Malaysia Sdn Bhd	615		983	
Acerinox Shanghai Co. Ltd.	52		26	
Acerinox (S.E.A.) Pte. Ltd.	141		81	
Acerinox U.K. Ltd.	79		78	
Acerol Comercio e Industria de Aços Inoxidaveis Unipersoal, Ltda.	54		40	
Bahru Stainless Sdn Bhd.	854		679	
Columbus Stainless (Pty) Ltd.	1,656		3,254	
Corporación Acerinox Peru, S.A.C.	29		15	
Inoxcenter, S.L.U.	220		268	
Inoxcenter Canarias, S.A.U.	8		9	
Inoxfil, S.A.	127		163	
Inoxidables Euskadi, S.A.	72		73	
Metalinox Bilbao, S.A.U.	44		54	
North American Stainless, Inc.	1,981		2,354	
Roldan, S.A.	530		653	
VDM Metals Holding GmbH	42		19	
TOTAL	13,589	8	14,266	

The detail of the short- and long-term loans granted to Group companies and associates at 31 December 2022 and 2021 is as follows:

(Amounts in thousands of euros)

	Short-term loans granted		Long-term loans granted	
	2022	2021	2022	2021
Acerinox Europa, S.A.U.	452,430	409,710		
Acerinox SC Malaysia Sdn. Bhd.	17,228	17,087		
VDM Metals Holding GmbH	75,235			
Corporación Acerinox Perú S.A.	115	107		
Inoxcenter Canarias S.L.	118	118		
Inoxcenter S.L.U.	21,617	1,529	40,000	20,000
Inoxfil, S.A.	787	51		
Roldan, S.A.	6,415	4,343	30,000	
TOTAL	573,945	432,945	70,000	20,000

The detail of the short- and long-term loans received from Group companies and associates at 31 December 2022 and 2021 is as follows:

(Amounts in thousands of euros)

	Short-term loans received		Long-term loans received	
	2022	2021	2022	2021
Inox Re S.A.	33,713	74	0	33,500
TOTAL	33,713	74	0	33,500

The interest rates set are in all cases market interest rates which take into account both the currency in which the loans are granted and the risk of the associate, as well as the interest rates on the financing obtained by the Group from banks.

The transactions performed with Group companies are as follows:

(Amounts in thousands of euros)

	2022	2021
Income from services rendered and other operating income	33,742	30,776
Interest income	13,843	11,481
Income from ownership interest	487,916	277,178
Interest expenses	2,530	1,203

"Interest Income" includes mainly the interest at market rates charged by the Company on the loans granted to Group companies.

"Interest Expenses" includes mainly the interest at market rates on loans received from Group companies, primarily North American Stainless G.P.

15.3 Transactions and balances with associates

The Company did not perform any transactions or recognise any balances with associates in 2022 or 2021.

15.4 Directors and key management personnel

The remuneration received in 2022 by the five senior executives (2021: six), who do not hold positions on the Board of Directors of Acerinox, S.A., amounts to EUR 4,680 thousand. Of this amount, EUR 1,695 thousand relate to salaries, EUR 2,397 thousand to variable remuneration based on the previous year's results and EUR 588 thousand to remuneration in kind. There have been no per diems in this financial year. In 2021 the five senior executives received EUR 2,860 thousand, of which EUR 1,970 thousand related to salaries, EUR 711 thousand to variable remuneration based on the previous year's results and EUR 179 thousand to remuneration in kind.

In 2022 the members of the Board of Directors of Acerinox, S.A., including those who also hold senior executive positions and sit on the Boards of Directors other Group companies, earned EUR 4,250 thousand in fixed allowances, attendance fees, and fixed and variable salaries (the latter based on the previous year's results), of which EUR 1,444 thousand related to salaries and fixed allowances for directors, EUR 726 thousand to attendance fees, EUR 1,500 thousand to variable remuneration based on the previous year's results and EUR 580 thousand to remuneration in kind. In 2021 the remuneration received amounted to EUR 2,580 thousand, of which EUR 1,388 thousand related to salaries and fixed allowances of directors, EUR 601 thousand to attendance fees, EUR 493 thousand to variable remuneration based on the previous year's results and EUR 98 thousand to remuneration in kind.

There are obligations arising from certain senior executive retirement benefit arrangements amounting to EUR 17.9 million (2021: EUR 16.5 million), of which EUR 5.3 million correspond to the CEO (2021: EUR 5.2 million). In 2022 and 2021 these obligations were duly covered by insurance contracts, to which EUR 1,512 thousand were contributed in 2022 and EUR 1,751 thousand in 2021. There are no obligations to proprietary or independent directors of Acerinox, S.A. At 31 December 2022, no advances or loans had been granted to the members of the Board of Directors or senior executives, and there were no balances receivable from or payable to them.

In relation to the multi-year remuneration or long-term incentive (LTI) plan, the terms and conditions of which are detailed in Note 15.1.3, the expense incurred in the year in relation to the CEO and senior executives of Acerinox, S.A., the balancing entry of which is recognised under "Other Equity Instruments", amounts to EUR 868 thousand, of which EUR 286 thousand relate to the CEO (2021: EUR 1,045 thousand, of which EUR 352 thousand relate to the CEO). On 1 January 2021, a new multi-year remuneration plan was approved, which, like the previous one, consists of three cycles of three years each. Other Group executives have also been included in this second plan. During the year, the shares corresponding to the second cycle of the first approved share-based remuneration plan were delivered. A total of 85,675 shares were delivered (15,246 shares corresponding to the first cycle were delivered in 2021), after deducting applicable withholdings, of which 34,537 corresponded to the Chief Executive Officer (5,560 in 2021).

The Company's directors and the persons related to them were not involved in any conflict of interest that had to be reported pursuant to Article 229 of the Consolidated Spanish Limited Liability Companies Law.

The Group has taken out a third-party liability insurance policy which covers the directors and senior executives, as well as Group employees. The premium paid in 2022 amounted to EUR 718 thousand (2021: EUR 542 thousand).

In 2022 and 2021 the members of the Board of Directors did not perform any transactions with the Company or with Group companies that were outside the normal course of business or were not on an arm's length basis.

15.5 Significant shareholders

The Acerinox Group has not entered into any related party transactions with any significant shareholders in 2022 or 2021.

In 2022, the dividends received by Acerinox, S.A. from Nippon Steel & Sumitomo Metal Corporation amounted to EUR 857 thousand (2021: EUR 60 thousand).

The directors have no conflict of interest with the Company's interests.

NOTE 16 – OTHER DISCLOSURES

16.1 Average number of employees in the year

	2022		2021	
	Men	Women	Men	Women
Senior Vice President	7		7	
Director	7	5	5	4
Manager	12	7	13	5
Analyst / Supervisor	13	12	15	14
Specialist	7	5	4	2
Administrative staff	8	16	8	15
TOTAL	54	45	52	40

At 31 December 2022, the Company complies with the provisions of the Spanish General Law on the Rights and Social Integration of Disabled Persons.

16.2 Breakdown, by gender, of personnel and directors at 31 December 2022 and 2021

	2022		2021	
	Men	Women	Men	Women
Board Members	7	4	9	4
Senior Vice President	5		7	
Director	8	5	5	4
Manager	12	8	12	6
Analyst / Supervisor	15	11	14	14
Specialist	8	7	5	4
Administrative staff	7	16	8	14
TOTAL	62	51	60	46

16.3 Fees paid to auditors

The shareholders at the Annual General Meeting held on 15 April 2021 resolved to reappoint the auditors PricewaterhouseCoopers Auditores, S.L. to perform the review and statutory audit of the financial statements of Acerinox, S.A. and its consolidated Group for 2022.

The detail of the fees and expenses incurred for the respective services rendered in 2022 and 2021 is as follows:

(Amounts in thousands of euros)

	2022	2021
For audit services	217	188
For other verification services	70	66
TOTAL	287	254

The amounts detailed in the foregoing table include the total fees for services rendered in 2022 and 2021, irrespective of when they were billed.

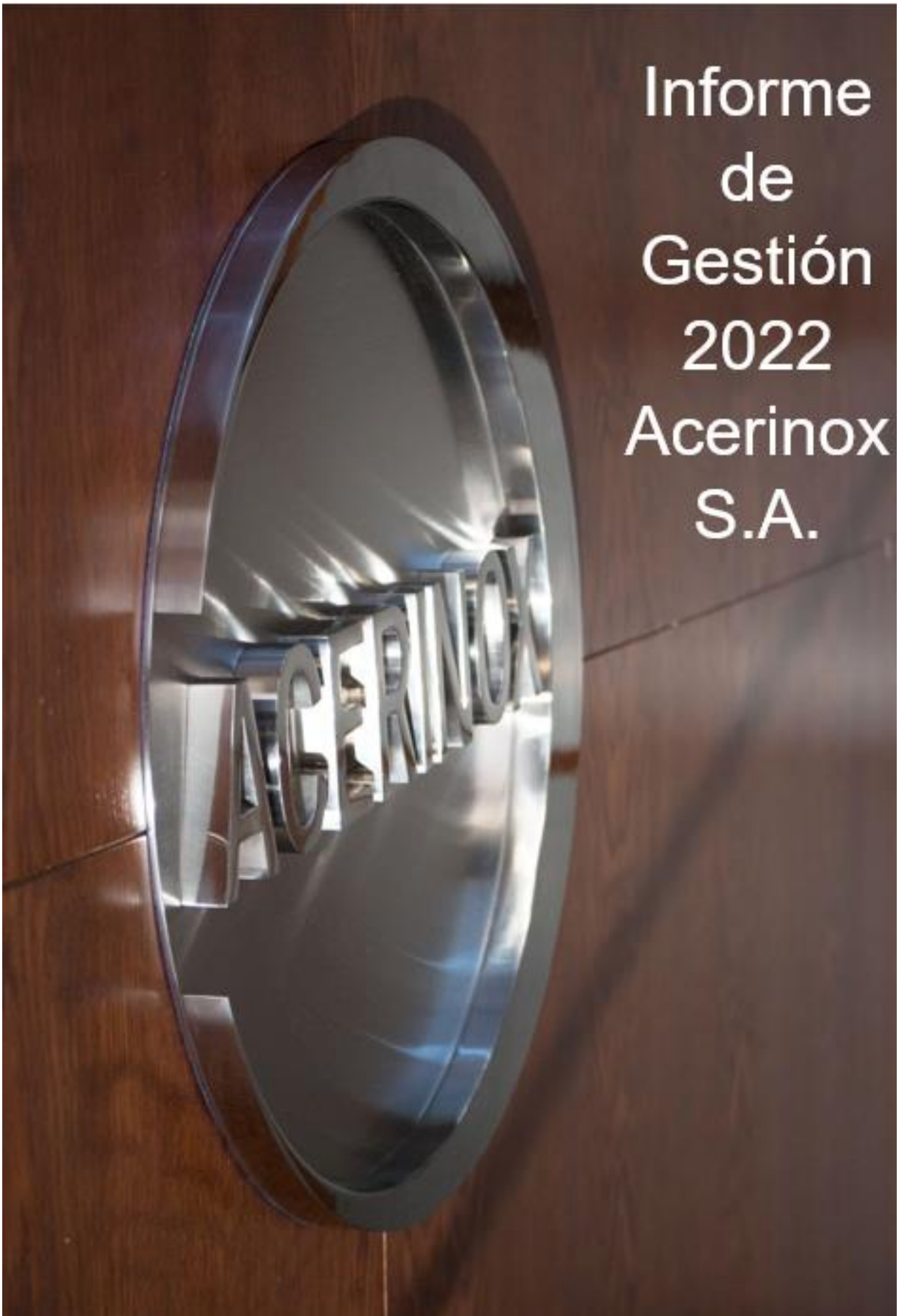
"Other verification services" includes the limited review of the interim condensed consolidated financial statements as at 30 June 2022 and 2021, the report on agreed-upon procedures regarding the system of

Internal Control over Financial Reporting (ICFR) and the report on agreed-upon procedures relating to the achievement of the financial ratios required by the ICO.

NOTE 17 – EVENTS AFTER THE REPORTING PERIOD

Interim dividend

The Board of Directors of Acerinox, S.A. held on 20 December 2022 has decided to propose to the Ordinary Annual General Meeting of Shareholders of the Company a dividend of EUR 0.60 per share charged to 2022 results, of which EUR 0.30 were paid as an interim dividend on 27 January 2023. This dividend will be submitted for approval at the Annual General Meeting to be held in 2023.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1. Acerinox S.A.

Acerinox S.A. is the parent company of the Group and the principal shareholder of each of its subsidiaries.

Its activity is that of a holding company and in addition to the tasks arising from this condition (such as legal, financial, commercial, technical, management or communication services). Acerinox S.A. facilitates access to new markets for stainless steel and promotes the exchange of best practices between the various Group subsidiaries. It provides accounting and consulting services to all Group companies and carries out financing activities within the Group.

Acerinox's shares are listed on the Continuous Market and the company is part of the selective Spanish IBEX 35 index.

At 31 December 2022, Acerinox's share capital consisted of 259,724,345 ordinary shares with a nominal value of EUR 0.25 each. Acerinox's Annual General Meeting, held on 16 June 2022, approved the distribution of a dividend of EUR 0.50 per share, representing remuneration to shareholders of EUR 130 million. The dividend was paid on 5 July 2022.

2. Human Resources

At 31 December 2022, Acerinox's parent company had an average of 99 employees.

The figures are similar to those in 2021. Broken down by job category, Acerinox S.A. employed a total of 7 senior management, 12 directors, 19 managers, 25 analysts, 12 specialists and 24 administrative staff in 2022.

Below is a summary table of the company's average data:

	2021		2022	
	Men	Women	Men	Women
Senior Vice President	7	-	7	-
Director	5	4	7	5
Manager	13	5	12	7
Analyst	15	14	13	12
Specialist	4	2	7	5
Administrative staff	8	15	8	16
Total	52	40	54	45

3. Stock Market Performance

Acerinox S.A. Shares

The share capital of Acerinox as at 31 December 2022 amounted to EUR 64,931,086.25 and is divided into 259,724,345 shares with a par value of EUR 0.25 per share.

All shares are admitted to official trading on the Madrid and Barcelona Stock Exchanges and are traded on the Continuous Market.

At 31 December 2022, Acerinox had a total of 45,000 shareholders:

	No. of shares	% Capital
Corporación Financiera Alba SA	48,101,807	18.52%
Danimar 1990 SL	14,224,988	5.48%
Acciones propias*	10,392,904	4.00%
Industrial Development Corporation of South Africa LTDA	8,809,294	3.39%
Resto inversores	178,195,352	68.61%

*4% of the shares held by Acerinox have been acquired in order to propose their redemption to the next Annual General Meeting

Domestic investors represent 64% of the share capital and foreign investors 36%.

Share price performance

The performance of the various stock markets in 2022 was worse than might have been expected at the beginning of the year, perhaps influenced by the uncertainty created by Russia's invasion of Ukraine in February.

The year was impacted by the aforementioned geopolitical conflict, escalating energy and commodity costs, and a shortage of spare parts and critical components for many industries.

High inflation prompted the various competent authorities to take measures that affected all stock exchanges: In the US, the Fed raised interest rates seven times, and central banks around the world also raised rates for the first time in years to combat rising prices. These measures had an impact on investors' decisions.

The major indices in all regions closed negative after a year of volatility caused by the geopolitical and energy conflicts mentioned above.
In Europe, the Euro Stoxx 600 closed down 12.9%, with the Spanish stock market index showing the smallest decline (-5.5%).

The Acerinox share reached a high of EUR 12.8/share on 13 January and a low of EUR 7.9/share on 12 October. Acerinox ended 2022 down 19%.

Analyst recommendations varied throughout the year, from 95% buy recommendations to 86% at year-end (with an average target price of EUR 12.6/share). 10% of analysts covering the company recommended to hold and 5% to sell.

In 2022, Acerinox shares traded on the 257 days the continuous market was in operation. The total number of shares traded was 337,538,706, which is 1.30 times the number of shares that make up the share capital, with an average daily turnover of 1,313,380 shares.

Cash contracted in 2022 amounted to EUR 3,386,699,801.69, with a daily average of EUR 13,177,820.

At 31 December 2022, Acerinox's market capitalisation was EUR 2,400 million (EUR 3,080 million in 2021).

4. Average Payment Period

With regard to the average payment period, Law 18/2022 of 29 September on the establishment and growth of companies amended the related law, in particular the additional provision 3, which establishes an information requirement and obliges all listed companies to explicitly indicate in their Annual Accounts the average payment period for suppliers, the volume of money and the number of invoices paid in a period lower than the maximum established in the regulations on late payments, as well as the percentage of these invoices in the total number of invoices and in the total amount of money paid to their suppliers. The Group has taken this amendment into account.

The average payment period to domestic and foreign suppliers after deducting payments made to Group companies, is as follows:

	2022	2021
Average supplier payment period	45 days	52 days
Ratio of operations settled	46 days	53 days
Ratio of transactions pending payment	37 days	23 days
(Amounts in thousands of euros)	Amount	Amount
Total payments made	22,845	18,215
Total outstanding payments	1,318	672

a) Monetary volume of invoices paid within a period equal to or less than the maximum established in the regulations on late payment (in thousands of euros)	14,393
Percentage share of total monetary payments to its suppliers	63%
b) Number of invoices paid within a period equal to or less than the maximum period established in the late payment regulations	4,195
Percentage share of total number of invoices of payments to its suppliers	84%

This table also includes the payments made to any supplier, whether domestic or foreign.

5. Risks

The Acerinox Group has a Risk Management and Control Policy that sets out the basic principles and general framework for the control and management of all types of risks to which the Company and the Group are exposed.

You can read about this policy here:
https://www.acerinox.com/export/sites/acerinox/.content/galerias/galeria-descargas/OtrosDocumentos/General-Policy-for-Risk-Management-and-Control-at-Acerinox-S.A.-andits-Group-of-Companies.pdf

Based on the aforementioned policy, the Board of Directors and Senior Management of the Acerinox Group have promoted the Risk Management Model. This model is used to identify, classify and evaluate potential events that may affect all relevant entities and functions of the company. The main objective of this model is to manage risks and provide reasonable assurance in achieving objectives, whether they are strategic, operational, compliance or information risks.

Once the model is defined, risk management allows the basic mechanisms and principles for managing opportunities and risks to be established:

- To achieve the strategic objectives set by the Group.
- To provide the shareholders with the highest level of guarantees
- To protect the Group's results and reputation
- To defend the interests of the company's main stakeholders
- To ensure business stability and financial soundness in the long term.

The main risks are as follows:

- Economic cycles
- Raw material price volatility
- Cybersecurity
- Strategic
- Overcapacity
- Loss of competitiveness
- Product liability
- Reputational
- Regulatory

From a financial point of view, as stated in Note 9.3 to the Annual Accounts, the Company is exposed to various financial risks, mainly market risk (foreign exchange risk, interest rate risk), credit risk and liquidity risk. The Company aims to minimise the potential adverse effects on its financial profitability through the use of derivative financial instruments, where appropriate to the risks, and by taking out insurance policies. Notes 9.2.2.2 and 9.2.2.3 to the Annual Accounts list the financial instruments used by the Group to hedge market risks.

6. Research, Development and Innovation (R&D&I)

The parent company, Acerinox S.A., did not carry out any R&D&I activities in the 2022 financial year.

7. Environment

Committed to the environment

The Group believes that its growth must be linked to a low-carbon economy, the promotion of the circular economy and the best possible protection of the environment.

This vision is based on achieving an efficient production system at all levels (energy, low emissions, promoting a business model committed to the circular economy, reducing water consumption, etc.). All this is possible thanks to a system of continuous improvement that balances performance with internal productivity, competitiveness and environmental protection targets.

The identification and management of environmental risks is a matter of critical importance to Acerinox, in line with the risk model explained in section 5. Risks of this report. In addition to legal obligations, the Group's own factories have procedures in place to control environmental risks with appropriate assessment of likelihood and severity.

All Acerinox Group factories have an environmental management system in accordance with the ISO 14001 standard.

To meet all these challenges, the Group believes that the innovation and R&D&I strategy must go hand in hand with the environmental challenges in order to produce a sustainable product. Eco-efficient management of production processes, from the source to the end of the product life cycle, is an example of competitiveness and sustainability.

8. Anti-corruption and Bribery

In all its actions, Acerinox takes into account its commitment to zero tolerance of corruption, bribery, fraud or similar illegal activities. The Board of Directors, through the Chief Compliance Officer and whistleblowing channels, ensures compliance with and observance of the Crime Prevention Model, which provides for the application of sanctions and referral to the competent jurisdiction in extreme cases.

The information and measures to combat corruption and bribery within the Group are mainly based on the provisions of the Code of Conduct and Best Practices and the Crime Prevention Model, which set out the obligations and ethical responsibilities and are the main tools for compliance and prevention of crime by the Group, as well as establishing measures to prevent money laundering. No cases of corruption were reported in 2022.

In 2020, the Board of Directors of Acerinox, S.A. approved the Instruction to prepare the Bribery Prevention Programme, the elaboration of which followed the structure of the standard ISO 37001 on Anti-bribery management systems.

9. Equality, Diversity and Inclusion

The Acerinox Group has an Equality, Diversity and Inclusion Policy, which has been approved by the Board and integrated into the Strategic Plan, to which a General Diversity Policy of the Board of Directors and Selection of Directors of Acerinox, S.A. was added.

Acerinox understands equality, diversity and inclusion as the sum of different potentials and personal and professional characteristics that enable it to multiply opportunities and achieve unique results in a changing and agile environment in order to succeed in the markets in which it operates.

The Acerinox Group has been working for years to promote parity throughout its workforce, which has led to a cultural change that is already integrated into the Company. This change is based on the implementation and annual development of the Acerinox Group Equality Plan and the eight vectors on which it is based (communication and awareness raising; selection and recruitment; classification, promotion and under-representation of women; training and professional development; gender pay gap;

co-responsibility and work/life balance; prevention of occupational risks and all types of harassment; and vigilance in gender-based violence).

During the 2022 financial year, Acerinox implemented 75% of the actions set out in the Equality Plan in relation to the eight vectors described, ensuring that all processes are subject to the Equality, Diversity and Inclusion Policy and eliminating stereotypes and prejudices that may remain latent.

The Group's diversity and inclusion policy is supported by the Board of Directors and senior management, which have enshrined this concept as a strategic priority. The challenges of recent years, digital transformation, the coexistence of different generations and an increasingly uncertain and volatile environment have led the Company to pay particular attention to the strategic management of diversity, which is not just focused on age, gender, race or disability.

Acerinox will continue to develop its diversity and inclusion strategy over the 2020-2025 period in order to lead the way in these areas, consolidating this culture as part of the Company's mission, adapting and integrating developments in society into everyday business.

Given the Company's global footprint, making the most of the diversity of available talent has become an asset and an undeniable business opportunity. Diversity management is therefore a strategic pillar that has become a fundamental criterion in the Group's decision-making process.

The percentage of women has increased from 43% in the previous year to 45%. This is the result of the initiatives implemented to attract and retain female talent.

Cultural diversity and vulnerable groups

Since the 2008 crisis, it has been a sad reality, especially in Spain, that people over the age of 45 who have lost their jobs have great difficulty finding new ones. A stumbling block that becomes chronic after the age of 50, which means that a group that stands out for its experience and the knowledge that it can pass on to the new generations is not integrated into the labour market.

Acerinox offers complete careers where young people can shape their career plan with opportunities and have access to experiences in other countries and cultures that have high value for their professional advancement. In this way, they can interact with colleagues with several decades of difference and from 65 nationalities, which has proven to be the main source of enrichment and skills development compared to traditional training.

Acerinox promotes the integration of workers with different skills in the workplace. The Group's factories employ 256 people with a type of disability recognised by local legislation.

Best practices

To improve the management of all these activities, Acerinox has further rolled out a new platform in the 2022 financial year. Nexus will support the entire employee cycle and consolidate the management model that facilitates the adaptation of our professionals to more dynamic, flexible and digitalised environments. Nexus covers the entire cycle, from recruitment and selection, organisational structure support, Acerinox competency development, management by objectives, performance management, talent assessment, career and succession plans, total compensation management, etc.

10. Corporate Governance

Corporate Governance

Acerinox has adopted best corporate practices in its operations, keeping it ahead of international standards.

- Creation and appointment of the Lead Independent Director: Following the retirement of the previous Chair and the appointment of Carlos Ortega Arias-Paz, Donald Johnston was elected to this position. Although the Chair is a non-executive position, it was decided to create this position because of the benefits it brings.

- At the same time as the decision was taken to increase the dividend per share to EUR 0.60, compared to EUR 0.50 in previous years, the company adopted a new Dividend Policy. The adoption of a dividend policy clarifies the commitments made with shareholders and provides the necessary predictability of expected remuneration in the coming years.

- The Board conducts an annual evaluation, including the evaluation of its various committees. This work enables areas for improvement to be identified and the necessary actions to be taken to raise the level of performance. The resulting improvement plans are regularly reviewed and analysed at mid-year and year-end. The usefulness of this exercise is evidenced by the fact that the ratings improve year after year. The 2022 assessment was carried out by the Company's internal services, while the 2023 assessment will be contracted externally in accordance with the recommendations of the Code of Good Corporate Governance.

- At the request of the Board of Directors, the Company has strengthened the area of Sustainability in recent years. First a Department was created (which has gradually relinquished functions other than sustainability), and then a specialised committee was set up under the Board itself.

The Acerinox, S.A. Annual Corporate Governance Report, the Acerinox, S.A. Directors' Remuneration Report and the Management Report for the 2022 financial year will be available on the CNMV website and on the Acerinox, S.A. website from the date of publication of the 2022 Annual Accounts.

Board of Directors and its committees

During 2022, the Board of Directors of Acerinox, S.A. consisted of twelve members, until the Annual General Meeting on 16 June 2022, the day on which the Chairman of the Board of Directors, Mr Rafael Miranda Robredo, resigned due to reaching the age for re-election to the Board of Directors set forth in the bylaws. On the same day, 16 June 2022, at a meeting of the Board of Directors following the Annual General Meeting, Mr Carlos Ortega Arias-Paz, who had been a member of the Board of Directors of Acerinox since 9 May 2022, was appointed Chairman of the Board of Directors of Acerinox, replacing Mr Pablo Gómez Garzón, who resigned as a Director on the same day. Since the Annual General Meeting, the Acerinox Board of Directors has been composed of eleven members.

Internal Regulations

On the occasion of the entry into force of Act 5/2021 of 12 April, which, among other regulations, amended the Corporate Enterprises Act, amendments to the bylaws and amendments to the Regulations of the Annual General Meeting were approved at the Annual General Meeting on 16 June 2022. The Regulations of the Board of Directors were also amended in December 2021 and this amendment was notified to this Annual General Meeting. These documents were registered with the Madrid Companies Registry.

At this meeting, the Board of Directors also approved the Remuneration Policy for the remainder of 2022 and the years 2023 to 2025, and in December 2022 the Board of Directors approved the Company's Dividend Policy.

All of the above changes and policies can be viewed on Acerinox's website (www.acerinox.com).

Changes in the Board of Directors

Mr Carlos Ortega Arias-Paz was appointed as a Director of Acerinox on 9 May 2022 and as Chairman of the Acerinox Group on 16 June 2022, succeeding Mr Rafael Miranda Robredo. Mr Pablo Gómez Garzón, External Proprietary Director, resigned as a member of the Board of Directors of Acerinox on 9 May 2022. He had been a member of the Board since 2019.

		Consejero			Comisión				Otros
Nombre	**Cargo**	Ejecutivo	Dominical	Independiente	Ejecutiva	Auditoría	Nombramientos y retribuciones	Sostenibilidad	Primer nombramiento
Carlos Ortega Arias-Paz	Presidente		✓		✓				2022
Bernardo Velázquez Herreros	Consejero Delegado	✓			✓			✓	2010
Laura G. Molero	Consejera			✓		✓	✓ *P		2017
Rosa María García Piñeiro	Consejera			✓	✓			✓ *P	2017
Donald Johnston	Consejero			✓	✓	✓			2014
Francisco Javier García Sanz	Consejero			✓	✓		✓		2020
Tomás Hevia Armengol	Consejero		✓			✓		✓	2016
Leticia Iglesias Herraiz	Consejera			✓		✓ *P			2020
Ignacio Martín San Vicente	Consejero			✓	✓			✓	2018
Marta Martínez Alonso	Consejera			✓				✓	2017
Santos Martínez-Conde	Consejero		✓		✓		✓		2002
Luis Gimeno Valledor	Secretario				SEC	SEC	SEC	SEC	-

Committees

Executive Committee

Composed of eight members, it held eight meetings in 2022.

Audit Committee

Composed of four members, it held ten meetings in 2022.

Appointments, Remuneration and Corporate Governance Committee

Composed of four members, it held eleven meetings in 2022.

Sustainability Committee

Constituted in December 2020, it is composed of five members and held six meetings in 2022.

Composition of the Board of Directors

CARLOS ORTEGA ARIAS-PAZ

Chairman

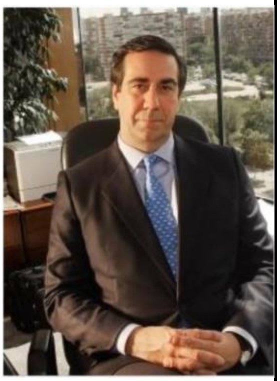
Member of the Board of Directors since May 2022.

He chairs the Executive Committee.

External Proprietary, representing Corporación Financiera Alba.

Elected with the favourable vote of 91.99% of the subscribed voting capital attending the 2022 Annual General Meeting.

Holder of 11,111 shares at 31 December 2022.



BERNARDO VELÁZQUEZ HERREROS

Chief Executive Officer

Member of the Board of Directors since 2010, re-elected in 2014, 2018 and 2022.

Chief Executive Officer since July 2010. He is a member of the Executive and Sustainability Committees.

Executive.

Elected with the favourable vote of 92.55% of the subscribed voting capital attending the 2022 Annual General Meeting.

Holder of 59,192 shares at 31 December 2022.

ROSA MARÍA GARCÍA PIÑEIRO

Independent

Member of the Board of Directors since 2017, re-elected in 2021.

She chairs the Sustainability Committee and is a member of the Executive Committee.

External Independent.

Elected with the favourable vote of 97.32% of the subscribed voting capital attending the 2021 Annual General Meeting.

LAURA G. MOLERO

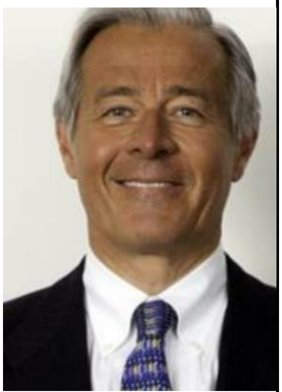
Independent

Member of the Board of Directors since 2017, re-elected in 2021.

She chairs the Appointments, Remuneration and Corporate Governance Committee and is a member of the Audit Committee.

External Independent.

Elected with the favourable vote of 97.94% of the subscribed voting capital attending the 2021 Annual General Meeting.



DONALD JOHNSTON

Independent

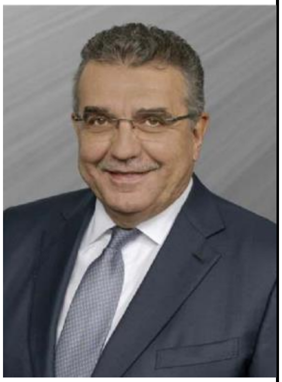
Member of the Board of Directors since 2014, re-elected in 2019.

He is a member of the Audit and Executive Committee.

Lead Independent Director.

Holder of 6 shares at 31 December 2022.

Elected with the favourable vote of 98.62% of the subscribed voting capital attending the 2019 Annual General Meeting.



FRANCISCO JAVIER GARCÍA SANZ

Independent

Member of the Board of Directors since 2020.

He is a member of the Executive Committee and the Appointments, Remuneration and Corporate Governance Committee.

External Independent.

Elected with the favourable vote of 92.78% of the subscribed voting capital attending the 2020 Annual General Meeting.

TOMÁS HEVIA ARMENGOL

Proprietary

Member of the Board of Directors since 2016, re-elected in 2021.

He is a member of the Audit and Sustainability Committees.

External Proprietary, representing Corporación Financiera Alba, S.A.

Elected with the favourable vote of 99.13% of the subscribed voting capital attending the 2021 Annual General Meeting.

LETICIA IGLESIAS HERRAIZ

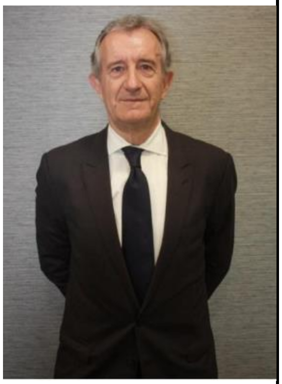
Independent

Member of the Board of Directors since 2020.

She chairs the Audit Committee.

External Independent.

Elected with the favourable vote of 92.59% of the subscribed voting capital attending the 2020 Annual General Meeting.



IGNACIO MARTÍN SAN VICENTE

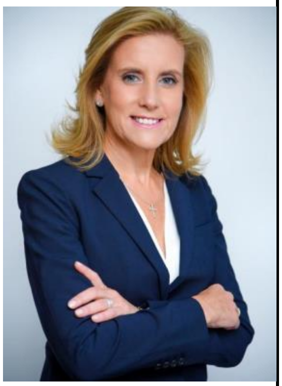
Independent

Member of the Board of Directors since 2018.

He is a member of the Executive and Sustainability Committees

External Independent.

Elected with the favourable vote of 98.96% of the subscribed voting capital attending the 2019 Annual General Meeting.



MARTA MARTÍNEZ ALONSO

Independent

Member of the Board of Directors since 2017, re-elected in 2021.

She is a member of the Sustainability Committee.

External Independent.

Elected with the favourable vote of 98.05% of the subscribed voting capital attending the 2021 Annual General Meeting.

SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN

Proprietary

Member of the Board of Directors since 2002, re-elected in 2006, 2010, 2014, 2018 and 2022.

External Proprietary, representing Corporación Financiera Alba, S.A.

Elected with the favourable vote of 91.57% of the subscribed voting capital attending the 2022 Annual General Meeting.

Holder of 9,997 shares at 31 December 2022.

LUIS GIMENO VALLEDOR

Secretary

Secretary of the Board and General Secretary of the Acerinox Group.

Holder of 14,953 shares at 31 December 2022.

Senior Management Committee

At 31 December 2022, the following members sat on the Senior Management Committee of Acerinox:

Bernardo Velázquez	Chief Executive Officer
Hans Helmrich	Chief Operating Officer (COO)
Mark Davis	Chief Executive Officer of Bahru Stainless
Cristóbal Fuentes	Chief Executive Officer of NAS
Fernando Gutiérrez	Chief Executive Officer of Acerinox Europa
Niclas Müller	CEO of VDM Metals
Johan Strydom	CEO of Columbus Stainless
Daniel Azpitarte	Integration Director
Miguel Ferrandis	Chief Financial Officer
Luis Gimeno	General Secretary

Annual General Meeting

The Annual General Meeting of Acerinox was held on 16 June 2022 in Madrid with the physical presence of the Company's shareholders.

A total of 1,887 shareholders, either in person or by proxy, attended the Annual General Meeting, representing 55.94% of the Company's subscribed voting capital.

11. Subsequent Events

Interim dividend

The Board of Directors of Acerinox, S.A. held on 20 December 2022 has decided to propose to the Ordinary Annual General Meeting of Shareholders of the Company a dividend of EUR 0.60 per share charged to 2022 results, of which EUR 0.30 were paid as an interim dividend on 27 January 2023. This dividend will be submitted for approval at the Annual General Meeting to be held in 2023.